IMPORTANT NOTICE

NOT FOR DISTRIBUTION IN OR INTO THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS OR OTHERWISE THAN TO PERSONS TO WHOM IT CAN LAWFULLY BE DISTRIBUTED

IMPORTANT: You must read the following before continuing. The following applies to the Prospectus (the "**Prospectus**", which term, in this disclaimer, means the following Prospectus). You must read this disclaimer carefully before reading, accessing or making any other use of the Prospectus. In accessing the Prospectus, you agree to be bound by the following terms and conditions, including any modifications to them from time to time, each time you receive any information from us as a result of such access.

THE PROSPECTUS MAY NOT BE FORWARDED OR DISTRIBUTED OTHER THAN AS PROVIDED BELOW AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER. THE PROSPECTUS MAY ONLY BE DISTRIBUTED OUTSIDE THE UNITED STATES TO PERSONS THAT ARE NOT U.S. PERSONS, AS DEFINED IN REGULATION S UNDER THE U.S. SECURITIES ACT OF 1933 (THE "**SECURITIES ACT**"). ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THE PROSPECTUS IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY ANY NOTES IN ANY JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. THE NOTES DESCRIBED IN THE PROSPECTUS HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE SECURITIES ACT OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES. SUCH NOTES MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS UNLESS THEY ARE REGISTERED UNDER THE SECURITIES ACT OR AN EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT IS AVAILABLE.

Confirmation of your Representation: In order to be eligible to view the Prospectus or make an investment decision with respect to the Notes described therein (the "Notes"), you must not be in the United States or be, or be acting on behalf of, a U.S. person (within the meaning of Regulation S under the Securities Act). By accepting the e-mail and accessing the Prospectus, you shall be deemed to have represented to each of Qatar Reinsurance Company Limited (the "**Issuer**"), Qatar Insurance Company S.A.Q. (the "**Guarantor**") and BNP Paribas, Emirates NBD PJSC, HSBC Bank plc and National Bank of Abu Dhabi P.J.S.C. (the "**Managers**") that:

(i) you are outside the United States and are not a U.S. person, as defined in Regulation S under the Securities Act, nor acting on behalf of a U.S. person and, to the extent you purchase any Notes, you will be doing so pursuant to Regulation S under the Securities Act;

(ii) the electronic mail address to which the Prospectus has been delivered is not located in the United States of America, its territories and its possessions;

(iii) if you are a person in the United Kingdom, then you are a person who (i) has professional experience in matters relating to investments or (ii) is a high net worth entity falling within Article 49(2)(a) to (d) of the Financial Services and Markets Act (Financial Promotion) Order 2005 (the "**Order**") or a certified high net worth individual within Article 48 of the Order; and

(iv) you consent to delivery of the Prospectus and any amendments or supplements thereto by electronic transmission.

The attached document has been made available to you in electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of transmission and consequently none of the Issuer, the Guarantor, the Managers or their respective affiliates, directors, officers, employees, representatives and agents or any other person controlling any of the foregoing accepts any liability or responsibility whatsoever in respect of any discrepancies between the document distributed to you in electronic format and the hard copy version available to you upon request from the Issuer.

You are reminded that the Prospectus has been delivered to you on the basis that you are a person into whose possession the Prospectus may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not, nor are you authorised to, deliver the Prospectus, electronically or otherwise, to any other person. If you receive this document by e-mail, your use of this e-mail is at your own risk and it is your responsibility to ensure that it is free from viruses and other items of a destructive nature. Any materials relating to the potential offering do not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law. Under no circumstances shall the Prospectus constitute an offer to sell or the solicitation of an offer to buy any Notes in any jurisdiction in which such offer or solicitation would be unlawful. No action has been or will be taken in any jurisdiction by the Issuer or the Guarantor or the Managers that would, or is intended to, permit a public offering of the Notes, or possession or distribution of the Prospectus or any other offering or publicity material relating to the Notes, in any country or jurisdiction where action for that purpose is required.

Recipients of the Prospectus who intend to subscribe for or purchase any Notes are reminded that any subscription or purchase may only be made on the basis of the information contained in the Prospectus in final form.

Qatar Reinsurance Company Limited

(incorporated with limited liability under the laws of Bermuda)

U.S.$450,000,000 Perpetual Subordinated Tier 2 Fixed Rate Reset Notes

guaranteed on a subordinated basis by

Qatar Insurance Company S.A.Q.

(incorporated with limited liability under the laws of Qatar)

Qatar Reinsurance Company Limited (the "**Issuer**" or "**Qatar Re**"), will issue the U.S.$450,000,000 Perpetual Subordinated Tier 2 Fixed Rate Reset Notes guaranteed by Qatar Insurance Company S.A.Q. (the "**Guarantor**" or "**QIC**") (the "**Notes**") on or around 13 March 2017 (the "**Closing Date**"). The Notes will bear interest (i) at the rate of 4.950 per cent. per annum (the "**Initial Fixed Interest Rate**") from (and including) the Issue Date to (but excluding) 13 September 2022 (the "**First Call Date**") and (ii) at a reset rate per annum calculated once every five years on the basis of the mid swap rates for U.S. dollar swap transactions with a maturity of five years plus a margin of 2.786 per cent. from (and including) the First Call Date. Interest will be payable on the Notes semi-annually in arrear on each Interest Payment Date (as defined herein), commencing 13 September 2017, provided that the Issuer may defer payments of interest on any Issuer Optional Interest Payment Date (as defined herein), and must defer payments of interest (i) on any Issuer Mandatory Interest Deferral Date (as defined herein) and/or (ii) if such payment could not be made in compliance with the Issuer Solvency Condition (as defined herein). Any interest which is deferred (and not paid by the Guarantor) will, for so long as it remains unpaid, constitute "**Deferred Interest**". Deferred Interest will not itself bear interest, and will be payable as provided in Conditions 7(g) and 7(h).

QIC will irrevocably guarantee on a subordinated basis the due and punctual payment of all sums from time to time payable by the Issuer in respect of the Notes (the "**Guarantee**"), provided that the Guarantor may defer payments of interest on any Guarantor Optional Guarantee Payment Date (as defined herein), and must defer payments of interest (i) on any Guarantor Mandatory Interest Deferral Date (as defined herein) and/or (ii) if such payment could not be made in compliance with the Guarantor Solvency Condition (as defined herein).

The Notes may be redeemed at the option of the Issuer on the First Call Date or on any Interest Payment Date thereafter or at any time following the occurrence of a Capital Disqualification Event, Tax Event, Accounting Event or a Ratings Methodology Event (each as defined herein), provided that redemption of the Notes by the Issuer and/or payment of amounts otherwise due and payable by the Guarantor upon the date scheduled for redemption shall be deferred in the circumstances listed in Condition 8(e). The Issuer may, alternatively, following the occurrence of a Capital Disqualification Event, Tax Event, Accounting Event or a Ratings Methodology Event, vary or substitute the Notes in the circumstances described in Condition 8. Any substitution or variation of the Notes, and any redemption or purchase of the Notes, will be subject to, amongst other things, the Issuer having obtained the consent or non-objection of each Relevant Regulator (as defined herein).

If an Issuer Winding-Up commences at a time when a Guarantor Winding-Up has not commenced or does not commence on the same calendar day, the Guarantor will be substituted in place of the Issuer as principal obligor under the Notes and the Noteholders will irrevocably assign, and shall be treated as having irrevocably assigned immediately prior to commencement of the Issuer Winding-Up, all their rights and claims against the Issuer to the Guarantor in consideration for the Guarantor's agreement to assume the obligations of the Issuer under the Notes. If a Guarantor Winding-Up occurs at any time, then the principal amount of the Notes will automatically be immediately and irrevocably written down to nil and any accrued and unpaid interest thereon (whether or not then due) and any Deferred Interest will automatically be immediately and irrevocably cancelled and any remaining rights and claims will be assigned to the Guarantor, but this will be without prejudice to the claims of the Noteholders in respect of their Notes in the Guarantor Winding-Up. Any Noteholder may claim and/or prove in the Guarantor Winding-Up in respect of its Notes on a subordinated basis.

This Prospectus (the "**Prospectus**") has been approved by the Central Bank of Ireland, as competent authority under Directive 2003/71/EC, as amended, (the "**Prospectus Directive**"). This Prospectus comprises a prospectus for the purposes of the Prospectus Directive. The Central Bank of Ireland only approves this Prospectus as meeting the requirements imposed under Irish and EU law pursuant to the Prospectus Directive. Application has been made to The Irish Stock Exchange plc (the "**Irish Stock Exchange**") for the Notes to be admitted to the official list (the "**Official List**") and trading on its regulated market (the "**Main Securities Market**"). The Main Securities Market is a regulated market for the purposes of the Markets in Financial Instruments Directive 2004/39/EC.

The Notes will be in registered form in denominations of U.S.$200,000 and integral multiples of U.S.$1,000 in excess thereof without interest coupons attached. The Notes will initially be represented by a global registered note certificate (the "**Global Certificate**"), and then delivered on or about the Closing Date to the common depositary for Euroclear and Clearstream, Luxembourg. Ownership interests in the Global Certificate will be shown on, and transfers thereof will only be effected through, records maintained by Euroclear and Clearstream, Luxembourg and their respective participants.

The Notes and the Guarantee have not been, and will not be, registered under the Securities Act 1933, as amended (the "**Securities Act**") of the United States of America (the "**United States**"). The Notes are subject to United States tax law requirements. The Notes are being offered outside the United States by the Managers (as defined in the section herein entitled "*Subscription and Sale*") in accordance with Regulation S under the Securities Act ("**Regulation S**") and may not be offered, sold or delivered within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S) except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act.

It is expected that the Notes will, when issued, be assigned a BBB+ rating by Standard & Poor's Credit Market Services Europe Limited ("**S&P**"). A security rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating organisation.

S&P is established in the European Union and are each registered under the Regulation (EC) No. 1060/2009, as amended (the "**CRA Regulation**"). As such, S&P is included in the list of credit rating agencies published by the European Securities and Markets Authorities ("**ESMA**") on its website in accordance with the CRA Regulation. In general, European regulated investors are restricted from using a rating for regulatory purposes if such rating is not issued by a credit rating agency established in the European Union and registered under the CRA Regulation.

An investment in Notes involves certain risks. Prospective investors should have regard to the factors described under the heading "Risk Factors" on pages 18 to 40.

Structuring Advisor

BNP PARIBAS

Global Co-ordinators

BNP PARIBAS **HSBC**

Joint Lead Managers

BNP PARIBAS **EMIRATES NBD CAPITAL**

HSBC **NATIONAL BANK OF ABU DHABI**

The date of this Prospectus is 9 March 2017

The Issuer accepts responsibility for the information contained in this Prospectus and to the best of the knowledge and belief of the Issuer, which has taken all reasonable care to ensure that such is the case, such information is in accordance with the facts and does not omit anything likely to affect the import of such information.

The Guarantor accepts responsibility for the information contained in this Prospectus relating to itself and the Guarantee, including without limitation, the information contained in the section herein entitled *"Description of the Group"* and to the best of the knowledge and belief of the Guarantor, which has taken all reasonable care to ensure that such is the case, such information is in accordance with the facts and does not omit anything likely to affect the import of such information. The Guarantor does not accept any responsibility for any other information contained in this Prospectus or for the Prospectus as a whole.

None of Citibank, N.A., London Branch (the "**Fiscal Agent**"), the Issuer or the Guarantor has authorised the making or provision of any representation or information regarding the Issuer, the Guarantor, the Notes or the Guarantee other than, in the case of the Issuer and the Guarantor, as contained in this Prospectus or as approved for such purpose by the Issuer or, as the case may be, the Guarantor. Any such representation or information should not be relied upon as having been authorised by the Issuer, the Guarantor or the Fiscal Agent.

To the fullest extent permitted by law, BNP Paribas, Emirates NBD PJSC, HSBC Bank plc and National Bank of Abu Dhabi P.J.S.C. (the "Managers") accept no responsibility whatsoever for the contents of this Prospectus or for any other statement, made or purported to be made on its behalf in connection with the Issuer, the Guarantor or the issue and offering of the Notes. The Managers accordingly disclaim all and any liability whether arising in tort, contract or otherwise (save as referred to above) which it might otherwise have in respect of this Prospectus or any such statement.

The Prospectus has been filed with and approved by the Central Bank of Ireland under the Prospectus Directive. Upon approval of this Prospectus, this Prospectus will be filed with the Registrar of Companies in Ireland in accordance with regulation 38(1)(b) of the Prospectus (Directive 2003/71/EC) Regulations 2005, as amended (the "**Prospectus Regulations**").

The Issuer is not regulated by the Central Bank of Ireland as a result of issuing the Notes. Any investment in the Notes does not have the status of a bank deposit and is not within the scope of the deposit protection scheme operated by the Central Bank of Ireland.

Neither the delivery of this Prospectus nor the offering, sale or delivery of any Note shall in any circumstances create any implication that there has been no adverse change, or any event reasonably likely to involve any adverse change, in the condition (financial or otherwise) of the Issuer or the Guarantor since the date of this Prospectus.

This Prospectus does not constitute an offer of, or an invitation to subscribe for or purchase, any Notes. For a description of certain restrictions on offers and sales of Notes and on distribution of this Prospectus, see "*Subscription and Sale"*.

Other than the application to the Central Bank of Ireland for this Prospectus to be approved, application having been made to the Irish Stock Exchange for the Notes to be admitted to the Official List of the Irish Stock Exchange and trading on its regulated market, and the delivery of copies of this Prospectus to the Registrar of Companies in Ireland for registration in accordance with the Prospectus Regulations, no action has been or will be taken to permit a public offering of the Notes or the distribution of this Prospectus in any jurisdiction where action for that purpose is required. The distribution of this Prospectus and the offering of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Prospectus (or any part hereof) comes are required by the

Issuer, the Guarantor and the Managers to inform themselves about, and to observe, any such restrictions.

In particular, the Notes and the Guarantee have not been and will not be registered under the Securities Act. Subject to certain exceptions, the Notes may not be offered, sold or delivered in the United States or to U.S. persons (as defined in Regulation S).

IN CONNECTION WITH THE ISSUE OF THE NOTES, BNP PARIBAS (THE "STABILISING MANAGER") (OR ANY PERSON ACTING ON BEHALF OF THE STABILISING MANAGER) MAY OVER-ALLOT NOTES OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE NOTES AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL. HOWEVER, THERE IS NO ASSURANCE THAT THE STABILISING MANAGER (OR ANY PERSON ACTING ON BEHALF OF THE STABILISING MANAGER) WILL UNDERTAKE STABILISATION ACTION. ANY STABILISATION ACTION MAY BEGIN ON OR AFTER THE DATE ON WHICH ADEQUATE PUBLIC DISCLOSURE OF THE TERMS OF THE OFFER OF THE NOTES IS MADE AND, IF BEGUN, MAY BE ENDED AT ANY TIME, BUT IT MUST END NO LATER THAN THE EARLIER OF 30 DAYS AFTER THE ISSUE OF THE NOTES AND 60 DAYS AFTER THE DATE OF THE ALLOTMENT OF THE NOTES. ANY STABILISATION ACTION OR OVER-ALLOTMENT MUST BE CONDUCTED BY THE STABILISING MANAGER (OR ANY PERSON ACTING ON BEHALF OF THE STABILISING MANAGER) IN ACCORDANCE WITH ALL APPLICABLE LAWS AND RULES.

In this Prospectus, references to "U.S. dollars", "U.S.$" or "$" are to the lawful currency for the time being of the United States of America, references to "Euro", "euro" or "€" are to the lawful currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty establishing the European Community, as amended by the Treaty on the Functioning of the European Union and references to "Qatari riyal" or "QR" are to the lawful currency for the time being of Qatar.

Certain figures included in this Prospectus have been subject to rounding adjustments. Accordingly, figures shown for the same category presented in different tables may vary slightly and figures shown as totals in certain tables may not be an arithmetic aggregation of the figures that precede them.

The language of this Prospectus is English.

The Notes may be offered or sold in Bermuda only in compliance with the provisions of the Investment Business Act 2003 and the Exchange Control Act 1972 (and regulations made thereunder) and the requirements of the related regulations of Bermuda which regulate the sale of securities in Bermuda.

The Bermuda Monetary Authority (the "**BMA**"), the Registrar of Companies and the Minister of Economic Development accept no responsibility for the financial soundness of any proposal or for the correctness of any of the statements made or opinions expressed herein.

No invitation whether directly or indirectly may be made to the public in Bermuda to subscribe for the Notes.

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

Financial Information

Financial information relating to the Group

The financial information relating to QIC and its subsidiaries (together, the "**Group**") and set out in this document has been derived from:

- the Group's audited consolidated financial statements as at, and for the year ended, 31 December 2016 (the "**2016 Financial Statements**"); and
- the Group's audited consolidated financial statements as at, and for the year ended, 31 December 2015 (the "**2015 Financial Statements**" and, together with the 2016 Financial Statements, the "Financial Statements").

The Financial Statements have been prepared in accordance with International Financial Reporting Standards ("**IFRS**") issued by the International Accounting Standards Board (the "**IASB**") and applicable provisions of Qatar Commercial Companies Law.

The Annual Financial Statements have been audited by Deloitte & Touche – Qatar Branch, Chartered Accountants, (the "**Auditors**") in accordance with International Standards on Auditing. The Auditors have issued unqualified audit reports in respect of each of the Financial Statements.

The Group's financial year ends on 31 December, and, save where the context does not permit, references in this Prospectus to "**2016**", "**2015**" and "**2014**" are to the 12-month period ended on 31 December of such year.

Financial information relating to the Issuer

This Prospectus also includes:

- the Issuer's audited consolidated financial statements as at, and for the year ended, 31 December 2016 (the "**Issuer's 2016 Financial Statements**"); and
- the Issuer's audited consolidated financial statements as at, and for the year ended, 31 December 2015 (together with the Issuer's 2016 Financial Statements, the "**Issuer's Annual Financial Statements**").

The Issuer's Annual Financial Statements have been prepared in accordance with IFRS issued by the International Accounting Standards Board.

The Issuer's Annual Financial Statements have been audited by the Auditors in accordance with International Standards on Auditing. The Auditors have issued unqualified audit reports in respect of each of the Issuer's Annual Financial Statements.

Reclassification of certain Financial Information

Investments and Short-term Borrowings

The Group uses fixed income securities as collateral to borrow on a short-term basis in U.S. dollars. In the 2015 Financial Statements, the Group followed an accounting policy whereby this short-term borrowing was offset against the total fixed income investments in the presentation of the 2015 Financial Statements. In 2016, the Group adopted certain clarifications issued by the IASB on IAS 32 Financial Instruments: Presentation. As a result, the 2016 Financial Statements present fixed income investments and short-term borrowing on a gross basis on the face of the statement of financial position. These restatements also impacted the presentation of investment income in the consolidated income statement, which had previously

been presented net of finance costs for the short-term borrowings and both in the investing activities and financing activities sections of the consolidated statement of cash flows. In accordance with IFRS 8 Accounting Policies, Changes in Accounting Estimates and Errors, the comparative figures as at 31 December 2015 presented in the 2016 Financial Statements have been restated.

This change in accounting policy does not, however, have any financial impact on the Group's net income, retained earnings or total equity.

Insurance Contract Liabilities and Reinsurance Contract Assets

In 2016, the Group reclassified and eliminated certain reinsurance contract assets and insurance contract liabilities. This reclassification was made to eliminate the inter-company effects of quota share business across the Group. In accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors, the comparative figures as at 31 December 2015 presented in the 2016 Financial Statements have been restated.

This reclassification does not, however, have any financial impact on the Group's net income, retained earnings or total equity.

Other Adjustments

During 2016, certain figures relating to 2015 were restated due to the outcome of audits performed by auditors of certain Group subsidiaries. These restatements did not have any financial impact on the Group's net equity or profit and loss account. In addition, the gross claims paid and reinsurance recoveries line items in the consolidated statement of income were both restated for the effect of intercompany transactions. This did not result in any change in the net profit. 2014 figures have been restated for comparability in this document.

Further details of the changes described above are set out below.

	As at 31 December 2015 (unrestated)	As at 31 December 2015 (restated)	Change
		(QR million)	
Investments	7,414	10,594	3,179
Short-term borrowings	364	3,543	3,179
Reinsurance contract assets	5,607	2,128	(3,478)
Insurance contract liabilities	15,246	11,768	(3,478)
Insurance and other receivables	6,617	6,481	(136)
Provisions, reinsurance and other payables	2,504	2,368	(136)

Reflecting the above factors, all 2015 financial information presented in this Prospectus has, save where it is specifically identified to be "unrestated", been derived from the 2016 Financial Statements. All unrestated 2015 financial information has been derived from the 2015 Financial Statements.

Non-IFRS Financial Information and Alternative Performance Measures

This Prospectus includes certain financial information which has not been prepared in accordance with IFRS and which also constitutes Alternative Performance Measures ("**APMs**") as defined in the European Securities and Markets Authority Guidelines ("**ESMA Guidelines**") on Alternative Performance Measures.

See "*Selected Financial Information—Selected Non-IFRS Financial Information and APMs*". None of this financial information is subject to any audit or review by independent auditors. This financial information has been included in this Prospectus because the Group considers it to be an important supplemental measure of the Group's operating performance and financial position and the Group believes that it may be used by securities analysts, investors and other interested parties in the evaluation of the Group's performance in comparison with other insurance groups.

APMs are not a measure of financial performance under IFRS and should not be considered in isolation or as a substitute for operating profit, cash flow from operating activities or other financial measures of the Group's results of operations or liquidity computed in accordance with IFRS. Other companies, including those in the Group's industry, may calculate the APMs presented differently from the Group. As all companies do not calculate these APMs in the same manner, the Group's presentation of the APMs may not be comparable to other similarly titled APMs presented by other companies.

Presentation of Other Information

Currencies

Unless otherwise indicated, the financial information contained in this Prospectus has been expressed in Qatari riyals. The Guarantor's functional currency is the Qatari riyal and the Financial Statements are prepared in Qatari riyal. The Qatari riyal currently is, and since the mid-1980s has been, pegged to the U.S. dollar at a fixed exchange rate of QAR 3.64 per U.S.$1.00.

Rounding

Certain figures contained in this Prospectus, including financial information, have been subject to rounding adjustments. Accordingly, in certain instances, the sum of the numbers in a column or a row in tables contained in this Prospectus may not conform exactly to the total figure given for that column or row. Percentages in tables have been rounded and accordingly may not add up to 100 per cent. Where the figure "0" appears in a table it means that the relevant item has been rounded to zero. Where a "—" appears in a table, it means that there is no figure for the relevant item.

Market share

Where possible, market share data referred to in this Prospectus has been sourced from independent sources as stated. Where an estimate of the Group's market share has been included, it has been calculated by the Guarantor using its own data and that of its competitors based on available information released by the Guarantor's competitors and, in some cases, on industry data collected by the independent sources referred to in this Prospectus. Undue reliance should not be placed on market share data because of differences in the dates as of which such data may be made available by the Guarantor and its competitors and because the Guarantor cannot verify the information provided by its competitors. While the Guarantor believes the statements contained in this Prospectus, including customer and market share information, to be reliable, to provide fair and adequate estimates of the size of the insurance market and to fairly reflect the Group's competitive position within that market, these statements have not been independently verified and the Guarantor does not make any representation or warranty as to the accuracy or completeness of such information in this Prospectus.

None of the market or industry data contained in this Prospectus has been audited or otherwise reviewed by external auditors, consultants or independent experts.

Statistical information

Statistical information relating to Qatar included in this Prospectus has been derived from official public sources, including the International Monetary Fund (the "**IMF**"), the Qatar Central Bank (the "**QCB**") and the

Qatar Statistical Authority (the "**QSA**"). All such statistical information may differ from that stated in other sources for a variety of reasons, including the use of different definitions and cut-off times. The statistical data presented in this Prospectus may subsequently be revised as new statistical data becomes available and any such revised data will not be circulated by the Group to investors who have purchased the Notes.

None of the Managers, the Issuer or the Guarantor accepts responsibility for the factual correctness of any such statistics or other third party information. Without prejudice to the foregoing, each of the Issuer and the Guarantor confirms that such third party information has been accurately reproduced and that, so far as it is aware and is able to ascertain from information published by such sources, no facts have been omitted which would render the reproduced information inaccurate or misleading.

Defined Terms

In this Prospectus:

- "**GCC**" refers to the Gulf Cooperation Council, comprising Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates (the "**UAE**");
- "**Government**" refers to the Government of Qatar;
- "**MENA region**" refers to the Middle East and North Africa region;
- "**Qatar**" refers to the State of Qatar;
- "**QR**" refers to the lawful currency of Qatar; and
- "**U.S. dollars**" or "**U.S.$**" refers to the lawful currency of the United States of America.

Technical Insurance Terms

"**Ceding**" is the act of purchasing reinsurance because the purchaser (i.e. the original insurance company (the "**cedent**")) is ceding part of its risk;

"**Direct insurance**" is a contractual arrangement under which a third party (non-insurance company) secures coverage from an insurer for a potential loss to which that third party is exposed;

"**Facultative reinsurance**" is a contract only covering all or part of a single specific policy of insurance and is commonly purchased for large, unusual or catastrophic risks. In these contracts, the reinsurer separately rates and underwrites each risk rather than assuming all or a portion of a class of risks, as in the case of treaty reinsurance;

"**Non-proportional**" (or "**excess of loss**" or "**XL**") reinsurance means that the reinsurer's liability is not triggered until the cedent's losses exceed a specified monetary amount. Non-proportional business is written in layers and a reinsurer accepts a band of coverage up to a specified amount. The total coverage purchased by the cedent is referred to as a programme and is typically placed with predetermined reinsurers in pre-negotiated layers. Any liability exceeding the upper limit of the programme reverts to the cedent;

"**Proportional**" (or "**pro rata**") reinsurance is characterised by a proportional division of liability and premium between the cedent and the reinsurer. The cedent pays the reinsurer a predetermined share of the premium and the reinsurer indemnifies the cedent for a like share of the loss and the expense incurred by the cedent in its defense and settlement of claims;

"**Reinsurance**" is a contractual arrangement under which the cedent secures coverage from a reinsurer for a potential loss to which the cedent is exposed under one or more insurance policies issued by it to one or more

original insureds. The risk indemnified against is the risk that the cedent will have to pay on the underlying insured risk. Because reinsurance is a contract of indemnity, absent specific cash-call provisions, the reinsurer is not required to pay under the reinsurance contract until after the cedent has paid a loss to an original insured;

"**Retrocession**" is a contractual arrangement under which a reinsurer secures coverage from another reinsurer for a potential loss to which the first reinsurer is exposed under reinsurance policies issued by it; and

"**Treaty reinsurance**", the most common form of reinsurance, covers some portion of a defined class of an insurance company's business. Reinsurance treaties cover all of the risks written by the cedent that fall within their terms unless exposures are specifically excluded. Thus, in most cases, neither the cedent nor the reinsurer has the "faculty" to exclude from a treaty a risk that fits within the treaty terms. As a result, treaty reinsurers rely heavily on the cedent's underwriting. Treaty relationships are often long-term.

No incorporation of Website Information

The Issuer's website is www.qatarreinsurance.com and the Guarantor's website is www.qatarinsurance.com. The information on these websites or any other website mentioned in this Prospectus or any website directly or indirectly linked to these websites has not been verified and is not incorporated by reference into this Prospectus, and investors should not rely on it.

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OVERVIEW

The information set out below is an overview of the principal features of the issue of the Notes. This Overview should be read in conjunction with, and is qualified in its entirety by, the more detailed information presented elsewhere in this Prospectus. Words and expressions defined in "*Terms and Conditions of the Notes*" shall have the same meanings in this overview.

Issuer	Qatar Reinsurance Company Limited (Bermuda), an exempted company incorporated under the laws of Bermuda with registered number 50896.
Guarantor	Qatar Insurance Company S.A.Q. (Qatar) is a Qatar shareholding company incorporated under the laws of Qatar.
Structuring Advisor	BNP Paribas.
Global Co-ordinators	BNP Paribas and HSBC Bank plc.
Joint Lead Managers	BNP Paribas, Emirates NBD PJSC, HSBC Bank plc and National Bank of Abu Dhabi P.J.S.C.
Fiscal Agent	Citibank N.A., London Branch.
Registrar	Citigroup Global Markets Deutschland AG.
Issue price	The Notes will be issued at 100 per cent. of their principal amount.
Issue size	U.S.$450,000,000
Status and Subordination	The Notes will constitute direct, unsecured and subordinated obligations of the Issuer and will rank *pari passu* and without any preference among themselves. The rights and claims against the Issuer in respect of the Notes will be subordinated as described in Condition 4. In addition, except in an Issuer Winding-Up, all payments by the Issuer under or arising from the Notes (including any damages awarded for breach of any obligations in respect thereof) shall be conditional upon the Issuer being solvent (as that term is described in Condition 4(c)) at the time for payment by the Issuer, and no amount shall be payable by the Issuer unless and until such time as the Issuer could make such payment and still be solvent immediately thereafter.
Guarantee	The Notes will be irrevocably and unconditionally guaranteed (subject to the provisions relating to deferral and to the provisions relating to winding-up of the Issuer and the Guarantor as set out in "*Terms and Conditions of the Notes*") on a subordinated basis by the Guarantor. The rights and claims of Noteholders against the Guarantor are subordinated in a winding-up of the Guarantor as described in Condition 5(c) and 11(d). In addition, except in a Guarantor Winding-Up, all payments under or arising from the Guarantee (including any damages awarded for breach of any obligations in respect thereof) shall

be conditional upon the Guarantor being solvent (as that term is described in Condition 5(d)) at the time for payment by the Guarantor, and no amount shall be payable under or arising from the Guarantee unless and until such time as the Guarantor could make such payment and still be solvent immediately thereafter.

For the purpose only of determining whether any Guaranteed Amount is from time to time due and payable by the Issuer for the purposes of the obligations of the Guarantor under the Guarantee, any amount of principal, interest and Deferred Interest shall be deemed to be due and payable by the Issuer on the Applicable Date regardless of whether the Issuer elects, or is required as a result of the application of the Issuer Solvency Condition or any of the Issuer mandatory deferral provisions set out in the Conditions, to defer payments of any principal, interest or Deferred Interest, provided that if any such amount is paid by the Guarantor under the Guarantee, such payment by the Guarantor shall be treated (to the extent of the amount paid) as satisfying any Noteholder's right to payment of any such amount under the Notes.

Denomination of Notes

Notes will be issued in denominations of U.S.$200,000 and integral multiples of U.S.$1,000 in excess thereof.

No Fixed Maturity Date

The Notes are perpetual and have no fixed maturity date.

Form of Notes

The Notes will be issued in registered form only.

Meetings of Noteholders

The Conditions contain provisions for calling meetings of Noteholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Noteholders including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the requisite majority.

Interest

The Notes will bear interest from (and including) the Issue Date to (but excluding) the First Call Date at a fixed rate of 4.950 per cent. per annum payable (subject as provided under "*Deferral of Interest*" below) semi-annually in arrear on 13 March and 13 September in each year, commencing on 13 September 2017.

Thereafter, the Notes will bear interest from (and including) the First Call Date at a reset rate per annum calculated once every five years on the basis of the 5-year mid-swap rate in U.S. dollars, plus a margin of 2.786 per cent., payable semi-annually in arrear.

Deferral of Interest

The Issuer may, on any Issuer Optional Interest Payment Date, elect to defer payments of interest on the Notes.

The Issuer is required to defer any payment of interest on the Notes: (i) on each Issuer Mandatory Interest Deferral Date (being an Interest Payment Date in respect of which an Issuer Regulatory Deficiency Deferral Event has occurred and is

	continuing); (ii) on each Guarantor Mandatory Interest Deferral Date (being an Interest Payment Date in respect of which a Guarantor Regulatory Deficiency Deferral Event has occurred and is continuing); and (iii) if such payment could not be made in compliance with the Issuer Solvency Condition. The Guarantor may, on any Guarantor Optional Guarantee Payment Date, elect to defer payments of Guaranteed Amounts in respect of interest on the Notes. The Guarantor is required to defer payments of Guaranteed Amounts in respect of interest on the Notes: (i) on each Guarantor Mandatory Interest Deferral Date (being an Interest Payment Date in respect of which a Guarantor Regulatory Deficiency Deferral Event has occurred and is continuing); or (ii) if such payment could not be made in compliance with the Guarantor Solvency Condition.
Deferred Interest	Any interest which is deferred by the Issuer and the Guarantor will, for so long as it remains unpaid, constitute Deferred Interest. Deferred Interest will not itself bear interest, and will be payable by the Issuer as provided in Condition 7(g) or by the Guarantor as provided in Condition 7(h).
Redemption at the option of the Issuer	The Issuer may, subject as provided under Condition 8(d) upon giving not less than 15 nor more than 30 calendar days' notice to Noteholders, redeem the Notes in whole, but not in part, on the First Call Date or any Interest Payment Date thereafter at their principal amount together with any Deferred Interest and any other accrued but unpaid interest to (but excluding) the date of redemption.
Redemption, substitution or variation following a Capital Disqualification Event, a Tax Event, an Accounting Event or a Ratings Methodology Event	If a Capital Disqualification Event, a Tax Event, an Accounting Event or a Ratings Methodology Event has occurred and is continuing the Issuer may upon notice to Noteholders either: (a) redeem the Notes in whole, but not in part, at their principal amount, together with Deferred Interest (if any) and any other accrued and unpaid interest to (but excluding) the date of redemption (subject to Conditions 8(d) and 8(e)); or (b) substitute in whole, but not in part, the Notes for, or vary the terms of the Notes so that they become or remain: (A) in the case of a substitution or variation in connection with a Capital Disqualification Event or a Tax Event, Qualifying Tier 2 Notes; (B) in the case of a substitution or variation in connection with an Accounting Event, Equity Accounted Notes; or (C) in the case of a substitution or variation in connection with a Ratings Methodology Event, Rating Agency Compliant Notes.
Conditions to redemption, substitution, variation or purchase	Any redemption, substitution, variation or purchase pursuant to Condition 8 will be subject to:

(a) the Issuer having obtained the consent or non-objection of each Relevant Regulator (if then required) of the Issuer and the Guarantor;

(b) in the case of any redemption or purchase by the Issuer: (A) such action being made in compliance with the Issuer Solvency Condition; (B) an Issuer Regulatory Deficiency Deferral Event not subsisting on the date of redemption or purchase and provided that the same would not occur if such redemption or purchase were effected; (C) a Guarantor Regulatory Deficiency Deferral Event not subsisting on the date of purchase or payment and provided that the same would not occur if either the Issuer or the Guarantor were to effect such purchase or effect (or, as the case may be, make payment of the Guaranteed Amounts in respect of) such redemption; and (D) each of the Issuer and the Guarantor being in continued compliance with the capital requirements then applicable to it pursuant to the Relevant Rules;

(c) in the case of any purchase by the Guarantor or any payment of Guaranteed Amounts by it in respect of redemption of the Notes: (A) such action being made in compliance with the Guarantor Solvency Condition; (B) a Guarantor Regulatory Deficiency Deferral Event not subsisting on the date of purchase or payment and provided that the same would not occur if such purchase or payment were effected; and (C) the Guarantor being in continued compliance with the capital requirements then applicable to it pursuant to the Relevant Rules; and

(d) in the case of a redemption or purchase that is prior to the First Call Date, to such redemption or purchase being funded (to the extent then required by the Relevant Rules applicable to the Issuer or the Guarantor) out of the proceeds of a new issuance of capital of at least the same quality as the Notes and/or otherwise being permitted under the Relevant Rules applicable to the Issuer and the Guarantor.

Notwithstanding the above conditions, if, at the time of any redemption, substitution, variation or purchase, the prevailing Relevant Rules permit the repayment, substitution, variation or purchase only after compliance with one or more alternative or additional pre-conditions to those set out above, the Issuer shall comply with such other and/or, as appropriate, additional pre-condition(s).

Prior to the publication of any notice of substitution, variation or redemption pursuant to Condition 8 (other than redemption pursuant to Condition 8(b)), the Issuer shall deliver to the Fiscal Agent such documents as are required under Condition 8(d).

Withholding Tax and Additional Amounts	The Issuer or, as the case may be, the Guarantor will pay such Additional Amounts as may be necessary in order that the net payment received by each Noteholder in respect of the Notes, after withholding or deduction for, or on account of, any taxes required by law in Bermuda or Qatar upon payments made by or on behalf of the Issuer in respect of the Notes or by or on behalf of the Guarantor under the Guarantee, will equal the amount which would have been received in the absence of any such withholding or deduction, subject to customary exceptions as set out in Condition 10. In the event of a withholding or deduction as required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 (the "**Code**") or otherwise imposed pursuant to Sections 1471 through 1474 of the Code and any regulations or agreements thereunder, official interpretations thereof, or any law implementing an intergovernmental approach thereto, neither the Issuer nor the Guarantor, nor any paying agent or any other person, will be required to pay additional amounts as a result of such withholding or deduction.
Events of Default	*Issuer* *The right to institute winding-up proceedings in respect of the Issuer is limited to circumstances where a relevant payment by the Issuer under the Notes has become due and is not duly paid. For the avoidance of doubt, no amount shall be due from the Issuer in circumstances where payment of such amount could not be made in compliance with the Issuer Solvency Condition or is deferred by the Issuer in accordance with Condition 7(a), 7(b) or 8(e). Further, the Noteholders will not have any rights to prove or claim in a winding-up of the Issuer and will instead only have rights as against the Guarantor as set out below.* If default is made by the Issuer for a period of 14 days or more in the payment of any interest, Deferred Interest or principal due in respect of the Notes or any of them, such default will be deemed to be sufficient cause for any holder of a Note to institute proceedings for the winding-up of the Issuer in Bermuda (but not elsewhere), but (save as provided in Condition 11) no further action may be taken to enforce, prove or claim for any payment by the Issuer in respect of the Notes. *Guarantor* *The right to institute winding-up proceedings in respect of the Guarantor is limited to circumstances where a relevant payment by the Guarantor under the Guarantee has become due and is not duly paid. For the avoidance of doubt, no amount shall be due from the Guarantor in circumstances where payment of such amount could not be made in compliance with the Guarantor Solvency Condition or is*

	deferred by the Guarantor in accordance with Condition 7(c), 7(d) or 8(e). If default is made by the Guarantor for a period of 14 days or more in the payment of any amount due under the Guarantee, then any holder of a Note may institute proceedings for the winding-up of the Guarantor in Qatar (but not elsewhere), but (save as provided in Condition 11) no further action may be taken to enforce, prove or claim for any payment by the Guarantor in respect of the Notes (including the Guarantee). *Issuer Winding-Up only* If an Issuer Winding-Up commences at a time when a Guarantor Winding-Up has not commenced or does not commence on the same calendar day, the Guarantor will be substituted in place of the Issuer as principal obligor under the Notes and the Noteholders will irrevocably assign, and shall be treated as having irrevocably assigned immediately prior to commencement of the Issuer Winding-Up, all their rights and claims against the Issuer to the Guarantor in consideration for the Guarantor's agreement to assume the obligations of the Issuer under the Notes. *Guarantor Winding-Up* If a Guarantor Winding-Up occurs at any time, then the principal amount of the Notes will automatically be immediately and irrevocably written down to nil, any accrued and unpaid interest thereon (whether or not then due) and any Deferred Interest will automatically be immediately and irrevocably cancelled, and any remaining rights and claims will be assigned to the Guarantor, but this will be without prejudice to the claims of the Noteholders in respect of their Notes in the Guarantor Winding-Up. Any Noteholder may claim and/or prove in the Guarantor Winding-Up in respect of its Notes on a subordinated basis.
Substitution of the Issuer and Guarantor and Transfer of Business	The Conditions oblige the Guarantor to substitute itself in place of the Issuer in the circumstances described above under "*Event of Default – Issuer Winding-Up only*" and permit the substitution in place of the Issuer or the Guarantor of a Substitute Obligor in the circumstances described in Condition 14 without the consent of Noteholders.
Risk factors	There are certain factors that may affect the Issuer's ability to fulfil its obligations under the Notes and/or the Guarantor's ability to fulfil its obligations under the Guarantee. In addition, there are certain factors which are material for the purpose of assessing risk factors that are specific to the Notes as well as the market risks associated with the Notes. These are set out in the section herein entitled "*Risk Factors*".
Governing law	The Fiscal Agency Agreement, the Deed of Covenant, the

	Notes and the Guarantee (together, the "**Transaction Documents**") and any non-contractual obligations arising out of or in connection with them (as to which time shall be of the essence) will be governed by, and construed in accordance with, English law except for the subordination and waiver of set-off provisions of the Notes and the Guarantee which will be governed under the laws of Bermuda (in respect of the Notes) and Qatar (in respect of the Guarantee) (but, for the avoidance of doubt, any assignment or deemed assignment by Noteholders to the Guarantor of the rights and claims of such holders against the Issuer in respect of the Notes in the context of an Issuer Winding-Up or a Guarantor Winding-Up shall be governed by and construed in accordance with English law).
Clearance and settlement	The Notes will be accepted for clearing through Clearstream, Luxembourg and Euroclear.
Rating	The Notes upon issue are expected to carry a rating of BBB+ by S&P. A security rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating organisation.
Listing and admission to trading	This Prospectus has been approved by the Central Bank of Ireland, as competent authority under the Prospectus Directive. Application has been made to the Irish Stock Exchange for the Notes to be admitted to the Official List of the Irish Stock Exchange and trading on the Main Securities Market.
Selling restrictions	There are restrictions on the offer, sale and transfer of the Notes in Bermuda, Qatar, the United Kingdom and the United States. See the section herein entitled "*Subscription and Sale*".

RISK FACTORS

Any investment in the Notes is subject to a number of risks and uncertainties. Before making any investment decision, prospective investors should consider carefully the risks and uncertainties associated with an investment in the Notes, the Group's business and the countries and markets in which it operates, together with all of the other information that is included in this Prospectus. Prospective investors should also consult their own financial and legal advisers about the risks associated with an investment in the Notes and the suitability of investing in the Notes in light of their particular circumstances, without relying on the Issuer or the Guarantor. Prospective investors are advised to make, and will be deemed by the Issuer and the Guarantor to have made, their own investigations in relation to such factors before making any investment decision. Should one or more of the following events or circumstances occur at the same time or separately, the Issuer and/or the Guarantor's business, results of operations, financial condition and/or prospects could be materially adversely affected which, in turn, could adversely affect the Issuer's and the Guarantor's ability to make payments in respect of the Notes. If that were to happen, the trading price of the Notes could decline and an investor might lose part or all of its investment.

Each of the Issuer and the Guarantor believes that the factors described below represent the principal risks inherent in investing in the Notes, but the inability of the Issuer or the Guarantor to pay interest, principal or other amounts on or in respect of the Notes may occur for other reasons which may not be considered significant risks by the Issuer and the Guarantor based on information currently available to them or which they may not currently be able to anticipate. As a result, the following is unlikely to be an exhaustive list or explanation of all risks which investors may face when making an investment in the Notes and should be used as guidance only. Additional risks and uncertainties relating to the Group that are not currently known to the Issuer and the Guarantor, or that either currently deems immaterial, may individually or cumulatively also have a material adverse effect on the business, prospects, results of operations and/or financial position of the Group and, if any such risk should occur, the price of the Notes may decline and investors could lose all or part of their investment. Investors should consider carefully whether an investment in the Notes is suitable for them in light of the information in this Prospectus and their personal circumstances.

The order in which the risks are presented below does not necessarily reflect the likelihood of their occurrence or the magnitude of their potential impact on the Group.

Words and expressions defined in the "Terms and Conditions of the Notes" below or elsewhere in this Prospectus have the same meanings in this section.

Risk Factors relating to the Group

The Group maintains reserves for its insurance business which are estimates of the expected cost of the ultimate settlement of claims and any insufficiency in reserves could adversely affect the Group's income

The Group maintains reserves for its insurance business to cover its estimated ultimate liability for claims and claim adjustment expenses for reported and unreported claims incurred as at the end of each accounting period. It also maintains reserves against reinsurance contracts written by it. These insurance reserves do not represent an exact calculation of liability, but rather are estimates of the expected cost of the ultimate settlement of claims. These estimates are based on statistical and actuarial projections of facts and circumstances known at a given time and estimates in trends of claims frequency and severity and other variable factors, such as repair costs, treatment costs and other factors, as well as changes in macroeconomic conditions, such as interest rates, inflation rates and exchange rates. Changes in these trends or other variable factors could result in claims in excess of reserves. For example, the Group's assumptions concerning future

claims cost inflation could prove to be too low at a time of rising interest rates, resulting in higher claims combined with a reduction in fixed income asset values in the Group's investment portfolio to meet these claims. For some types of claim it may be necessary to revise estimated potential claims exposure and, therefore, the related claims reserves. Consequently, actual claims, benefits and related expenses paid may differ from estimates reflected in the Financial Statements. Additional claims, including claims arising from changes in the legal and regulatory environment which are not currently foreseeable, may emerge in the future.

To the extent that the Group's reserves are insufficient to cover actual claims, claim adjustment expenses or future policy benefits, the Group would need to add to those reserves which would adversely affect its income in the relevant period.

The Group writes reinsurance for third party insurance companies which may be significantly more risky than its direct insurance operations

The Group, principally through Qatar Re but also through other Group companies, writes reinsurance for third party insurance companies. Although this diversifies its operations both geographically and in terms of the lines of business offered, the reinsurance market has historically been more volatile than the direct insurance market. As a result, the Group experiences a degree of volatility in its results of operations. In particular, the Group's reinsurance activities expose it to the risk of losses from natural disasters and other catastrophic risks reinsured by it, which could be material, see "*—Catastrophic events and extraordinary risks could expose the Group to unexpectedly large losses*" below.

The Group obtains reinsurance against certain risks and is exposed to any reduced availability of reinsurance and failure by its reinsurers to perform their obligations to the Group

The Group systematically transfers its exposure to certain risks to third parties through reinsurance arrangements. Under these arrangements, other insurers assume a portion of the Group's losses and expenses associated with reported and unreported losses in exchange for a portion of policy premiums.

The availability, amount and cost of reinsurance depend on general market conditions and may vary significantly from time to time. Any increase in the Group's reinsurance costs may reduce its net underwriting result if it is unable to pass the increased costs on to its customers and any decrease in the amount of the Group's ceded reinsurance, whether as a result of non-availability of cover or a high cost of cover, will increase its risk of losses. When it obtains reinsurance, the Group could still be liable for the risks transferred, in particular if the reinsurer cannot meet its obligations. Accordingly, the Group bears credit risk with respect to its reinsurers and could be faced with their inability or unwillingness to meet their financial obligations when falling due.

The Group's investment income could be adversely affected by fluctuations in the Qatari stock market or other financial markets generally

The Group maintains a significant portfolio of investments, which amounted to QR 11.4 billion, or 39.8 per cent.. of the Group's total assets, as at 31 December 2016.

Investment returns are an important part of the Group's overall profitability. Fluctuations in the financial markets, including equity markets and fixed income markets, as well as interest rate and credit spread rate movements, see "*—Changes in interest rates and credit spreads could adversely affect the value of, and returns from, the Group's fixed income investment portfolio*" below, could have a material adverse effect on the Group's profitability, financial condition and cash flows. These fluctuations could occur for a variety of reasons that are beyond the Group's control, such as significant changes in economic conditions, commodity prices, particular industry sectors and earnings of major listed companies. In addition, a default by a major market participant or a significant act of terrorism or other large scale events could disrupt the securities

markets or clearance and settlement systems in major markets which could in turn cause market declines or increased volatility. The failure of a major market participant could also lead to a chain of defaults that could adversely affect the Group.

Fluctuations in stock markets could have an adverse impact on the fair valuation of the Group's holdings of investments, which could impact its income statement and equity, and could also result in a deterioration of the Group's net realised investment income to the extent that the Group experiences significant losses on the sale of its investments. For example, in 2014, the Group recorded in its statement of comprehensive income an unrealised loss on its available for sale investments of QR 153 million compared to unrealised losses of QR 470 million in 2015 and QR 27 million in 2016. The significant unrealised loss in 2015 reflected particularly difficult stock market conditions in that year. Declining equity markets may also affect the Group's results of operations through impairment charges against investments which have experienced a significant and prolonged decline in fair value. The Group's impairment losses on its investments were QR 3 million in 2014, QR 145 million in 2015 and QR 2 million in 2016, with the 2015 impairment principally reflecting a sustained fall in GCC equity markets.

The Group's exposure to financial market movements is increased by the fact that its fixed income and equity investment portfolios are concentrated in Qatar. As at 31 December 2016, the Group's shareholdings in quoted Qatari companies accounted for 87.3 per cent. of the carrying value of the quoted shares held by the Group and 12.8 per cent. of its total investment portfolio. In addition, fixed income securities with Qatar country risk accounted for 27.0 per cent. of the Group's total portfolio of fixed income securities and 19.6 per cent. of its total investment portfolio. These concentrations expose the Group to a range of risks associated with investments in emerging markets, see "*Risk Factors relating to Qatar and the MENA region—Emerging markets such as Qatar and other markets in the MENA region are subject to greater risks than more developed markets, and financial volatility in emerging markets could negatively impact the Group's business*" below.

For diversification purposes, the Group also holds a limited amount of alternative investments in its portfolio, in particular investments in unquoted shares and participations in private equity investments. Adverse market conditions could lead to a failure to realise the expected payments associated with these alternative investments.

Changes in interest rates and credit spreads could adversely affect the value of, and returns from, the Group's fixed income investment portfolio

Interest rates depend on many factors, including governmental, monetary and tax policies, domestic and international economic and political considerations, fiscal deficits, trade surpluses or deficits, regulatory requirements and other factors beyond the control of the Group.

Changes in prevailing capital market interest rates (including changes in the difference between the levels of prevailing short- and long-term rates) may adversely affect the Group's results. Movements in both short- and long-term interest rates may affect the level and timing of recognition of gains and losses on the fixed income securities held in the Group's investment portfolio. As at 31 December 2016, the Group's fixed income portfolio amounted to QR 8,290 million. An increase in interest rates could substantially decrease the value of the Group's fixed income portfolio and adversely affect the Group's investment income. A prolonged decline in interest rates could also adversely affect the Group's interest income as existing fixed income instruments mature and are replaced by lower yielding debt securities.

The Group's fixed income portfolio is also exposed to credit spread risks to the extent that a credit spread widening, in particular as a result of credit downgrades, decreases the market value of the fixed income portfolio. Spread movements may also adversely impact the valuation reserves of the Group's available for sale fixed income securities.

The Group's business operations and risk management require complex models and significant management assumptions, which may prove to be inaccurate over time

The Group's business operations and risk management require complex models under which it needs to properly reflect the value of its business and make an adequate allowance for the risks associated with it. This includes a constant assessment of numerous factors, such as the long-term development of interest rates, investment returns, the allocation of investments between equity, fixed income and other categories and future expense levels. The Group monitors its actual experience regarding these assumptions and, to the extent that it considers that this experience may not continue in the longer term, it refines its long-term assumptions.

The factors listed above are, among other things, the basis for (i) its "best estimate" actuarial assumptions under the IFRS liability adequacy testing, (ii) capital requirements under applicable regulations and (iii) the calculation of insurance premiums and reserves. In each of these cases the Group must rely on its own assumptions and estimates when operating its risk analysis and risk management systems. The assumptions used may differ from actual developments in the future. Adjustments in such assumptions may have to be made in reaction to revised legal and regulatory requirements, changing financial markets or expected future actuarial experience, which may lead to changes in the Group's solvency position as well as the accounting of, and reserves required for, the Group's insurance operations.

Certain risks faced by the Group are non-hedgeable and even with hedgeable risks there is a residual risk that the hedging arrangements concluded by the Group may not or may only partially cover such risks.

Cyclicality of the insurance and reinsurance industries could cause significant fluctuations in the Group's results

The insurance and reinsurance industries are cyclical. Historically, operating results of insurance companies have fluctuated significantly because of volatile and sometimes unpredictable developments, many of which are beyond the control of insurers. These developments include:

- price competition, see "*Description of the Group—Competition*";
- frequency of occurrence and/or severity of catastrophic events;
- capital markets volatility;
- levels of capacity; and
- general economic conditions.

Underwriting results and underwriting capacity of insurers and prevailing general economic conditions significantly influence demand for insurance and reinsurance. The supply of insurance and reinsurance is primarily related to prevailing premium levels, levels of insured claims, levels of industry surplus and use of underwriting capacity which, in turn, may fluctuate in response to changes in rates of return on investments earned in the industry. The Group expects to experience the effects of this cyclicality, including changes in premium rates, which could have a material adverse effect on its results of operations from time to time.

The Group is exposed to changes in economic conditions in the major markets in which it operates

The Group is exposed to a general economic downturn in its major markets which could result in an increase in reported claims, policy lapses and policy withdrawals. In addition, in times of adverse economic conditions, the Group is exposed to an increase in fraudulent claims by customers, all of which could increase its claims costs and reduce its premium income.

In addition to changes in market conditions which affect its investment portfolio, see *"—The Group's investment income could be adversely affected by fluctuations in the Qatari stock market or other financial*

markets generally" above, changes in economic conditions in Qatar, the UAE and the United Kingdom, being the three markets in which the Group owns real estate, in particular rising interest rates, could adversely affect these real estate markets, which could have a negative impact on the Group's real estate portfolio. In worsening economic circumstances, which may be driven by global macroeconomic developments, domestic economic or political events or other effects, the vacancy rates may increase which would reduce the expected future cash-inflows from rents accordingly, and may lower the valuation of the individual properties substantially.

Catastrophic events and extraordinary risks could expose the Group to unexpectedly large losses

The Group insures risks related to catastrophes caused by human activity, as well as natural disasters, such as flood, windstorm, tornado, hailstorm, frost, fire and drought. The frequency and intensity of natural disasters are hard to forecast. Additionally, changes of weather and climatic conditions in recent years have created additional uncertainty as to the future occurrence of catastrophic events. For example, the Group is exposed to a claim in respect of both physical damage to an offshore Floating Production, Storage and Offtake vessel in Ghana's Jubilee oil field identified in February 2016 and the consequent loss of production, which are cumulatively expected to exceed U.S.$1 billion. The total net loss for the Group is currently estimated at U.S.$23.5 million. Loss estimates are provisional and subject to final agreement on repairs and improvements to the site. In addition, the Group is exposed to claims arising out of the impact of Hurricane Matthew in September and October 2016 in the Caribbean and the coast of the United States. Munich Re put the total insured loss estimate at approximately U.S.$3.8 billion. Based on current information, the total net losses for the Group are estimated at U.S.$9.5 million.

Generally, the Group's exposure to catastrophic risks depends on the frequency of catastrophic events as well as the amount of claims paid in relation to them, which has increased in recent years. If catastrophes damage the property protected by the Group's policies with a significantly greater frequency or intensity than previously experienced, the benefits paid and the provisions created for that purpose may have a material adverse impact on the Group. In addition, depending on the terms of insurance and payment terms, the Group may be required to disburse such benefits over a short time span.

The Group is also exposed to extraordinary risks which may mostly result from fire and other property insurance claims.

The Group is dependent on the strength of its reputation with its customers and other counterparties

The Group's success and results, in part, depend on the continued strength of its reputation. The Group believes that its brand is well recognised in Qatar. As a result, any negative publicity related to the Group's brand could adversely affect its reputation and the value of its brand.

The Group operates in an industry where customer trust and good reputation are of paramount importance. The Group is exposed, among others, to the risk that litigation, employee misconduct, operational failures, the outcome of regulatory investigations, disclosure of confidential client information, inadequate services, press speculation and negative publicity, whether or not founded, could damage its brand or reputation.

Damage to the Group's reputation could cause existing customers or intermediaries to withdraw their business from the Group, to be dissatisfied with its level of cooperation or elect not to do business with the Group in the future, which could result in a decrease in volumes of the Group's products and services sold.

The Group faces competition in the markets in which it operates

The Group operates in a number of markets in the Middle East and internationally and faces a competitive environment in these markets. The Group's profitability is generally dependent on the level of demand for its products and services as a whole, and on its ability to control its risk profile and operating costs. Consumer

demand, technological changes, regulatory changes and actions of supervisory authorities, access to distribution channels and other factors also affect competition. If the Group is unable to offer competitive, attractive and innovative products and services that are also profitable, does not choose the right product offering or distribution strategy, fails to implement such a strategy successfully or fails to respond or adapt to market demands and changes, it could lose market share, incur losses on some or all of its activities and experience lower growth. The Group's competitive position could also be materially adversely impacted if it is unable to match the prices offered by its competitors or justify the higher prices by an enhanced quality of its products and services or the scope of insurance coverage, as a result of which its products may lose their competitiveness.

In addition, individual regional and local competitive factors could in the future change to the Group's disadvantage, significantly intensifying competition in certain regions or countries.

In addition, the implementation of the Group's strategy as well as its operational and financial performance depend on the general conditions of the insurance industry. As a consequence, any deterioration in the insurance industry generally due, for instance, to sustained low interest rate levels, a change of the regulatory environment or a general distrust against the industry could have a material adverse effect on the Group's business, financial condition and results of operations.

The Group is exposed to failures in its risk management systems

The Group manages risk partly through the use of observed historical market behaviour and statistics based on historical models. These methods may not fully predict future risk exposures, which may be significantly greater than the Group's historical measures indicate. Other risk management methods depend upon the evaluation of information regarding markets, clients, catastrophe occurrence or other available information. This information may not always be accurate, complete, up-to-date or properly evaluated. In addition, certain risks could be greater than the Group's empirical data would otherwise indicate. Any deficiency in the Group's risk management systems could materially adversely affect its reputation, results of operations, financial condition and cash flows.

The Group's operations are highly dependent on the proper functioning of its information technology systems

The Group depends on its information technology ("**IT**") systems to process a large number of transactions on an accurate and timely basis, and to store and process substantially all of the Group's business and operating data. The proper functioning of the Group's insurance handling, customer data, policies, claims and payment records, financial control, risk management, accounting and other IT systems, as well as the communication networks between its subsidiaries, branches and main data processing centres, are critical to the Group's business and ability to compete effectively. The Group's business activities would be materially disrupted if there is a partial or complete failure of any of its IT systems or communications networks. Such failures can be caused by a variety of factors, many of which are wholly or partially outside the Group's control, including natural disasters, extended power outages, cyber attacks, computer viruses and system malfunctions. The proper functioning of the Group's IT systems also depends on accurate and reliable data and other system input, which are subject to human errors. Any failure or delay in recording or processing the Group's transaction data could subject it to claims for losses and regulatory fines and penalties and could also materially adversely impact its reputation. The Group has implemented and tested business continuity plans and processes as well as disaster recovery procedures, but there can be no assurance that these safeguards will be fully effective and any failure may have a material adverse effect on the Group's business and reputation. The Group is also reliant on its IT suppliers to support the operation of its IT infrastructure and externally purchased software and is also reliant on the continuing operation and its ability to upgrade as required its internally-developed software.

The Group's internal controls may not be sufficient in certain circumstances to adequately monitor the size and type of operations carried out by the Group

Operational risk and losses can result from fraud, errors by employees, failure to document transactions properly or to obtain proper internal authorisation, failure to comply with regulatory requirements and conduct of business rules, systems and equipment failures, natural disasters or the failure of external systems (for example, those of the Group's counterparties or vendors). The Group has implemented risk controls and loss mitigation strategies, and substantial resources are devoted to developing efficient procedures and to staff training, but it is not possible to eliminate entirely each of the potential operational risks the Group faces. Losses from the failure of the Group's system of internal controls could have a material adverse effect on its business, financial condition, results of operations and prospects and could materially adversely affect its reputation.

The Group's internal control system may be less developed in certain respects than those of insurance companies of a similar size located in more developed markets. As the Group continues to expand its operations and seeks additional development opportunities, it will also need to enhance its internal control system to reflect the demands of the size of the Group and its business activities, and this could result in significant costs and potential operational disruption.

The Group is subject to a wide range of regulation and any failure to comply could materially adversely affect the Group

The Group's business is subject to detailed, comprehensive laws and regulations as well as supervision in all the countries in which it operates. Changes in existing laws and regulations may affect the way in which the Group conducts its business, including through increased costs of compliance or a need to restructure aspects of business to ensure compliance, and the products it may offer.

In addition, the Group, like many other financial institutions, has come under greater regulatory scrutiny in recent years and expects similar conditions to continue for the foreseeable future. Regulatory agencies have broad administrative power over many aspects of the financial services business, which may include solvency, capital adequacy, liquidity and permitted investments, ethical issues, "know your customer" and anti-money laundering rules, anti-corruption legislation, privacy, record keeping, marketing and selling practices as well as employee compensation, conduct of business and product governance requirements. Banking, insurance and other financial services laws, regulations and policies currently governing the Group may change at any time in ways which may have an adverse effect on its business and the Group cannot predict the timing or form of any future regulatory or enforcement initiatives. Despite the Group's best efforts to comply with applicable regulations, there are a number of risks in areas where applicable regulations may be unclear or where regulators revise their previous guidance or courts overturn previous rulings. Regulators and other authorities have the power to bring administrative or judicial proceedings against the Group, which could result, among other things, in significant adverse publicity and reputational harm, suspension or revocation of licences, fines, civil penalties, criminal penalties or other disciplinary action.

Group companies are required to maintain levels of capital and to comply with a number of regulatory requirements relating to their solvency and reporting bases. As a result, certain Group companies may be required to raise additional capital in the future to maintain their respective solvency margins and other capital requirements above the minimum levels required. There can be no assurance that any Group company will be able to obtain such capital on favourable terms, in a timely manner or at all. See further "*—The Group may be required to raise additional capital in the future and such capital may be difficult to raise when needed*" below.

Any deterioration in the ratings assigned to the Group could materially adversely affect its business

The Group is dependent on the financial strength and credit ratings assigned to it. QIC and the subsidiaries guaranteed by it, Qatar Life and Medical Insurance Company ("**QLM**"), QIC International L.L.C. ("**QICI**"), Qatar Re, Kuwait Qatar Insurance Company and QIC Europe Limited ("**QIC Europe**"), have insurer financial strength and counterparty credit ratings of A/stable from S&P and QIC, Qatar Re and QICI have financial strength and issuer credit ratings of A/excellent from A.M. Best.

Claims paying ability and financial strength ratings are each a factor in establishing the competitive position of insurers. If the Group's rating falls below a certain threshold, its business may be significantly impacted. A rating downgrade (or the potential for such a downgrade) could, among other things, adversely affect relationships with customers and intermediaries, thereby negatively impacting new sales and existing business, adversely affect its ability to compete in the relevant markets and increase its cost of borrowing.

Any future rating downgrades could also materially adversely affect the Group's cost of raising capital, and could, in addition, give rise to additional financial obligations or accelerate existing financial obligations which are dependent on maintaining specified rating levels. Rating agencies can be expected to continue to monitor the Group's financial strength and claims paying ability, and no assurance can be given that future rating downgrades will not occur, whether due to changes in the Group's performance, changes in rating agencies' industry views or rating methodologies, or a combination of such factors.

Factors cited by S&P in its June 2016 research update relating to the Group as possible triggers for a rating downgrade in the two years to June 2018 are (i) signs that the Group's risk-based capital is unlikely to recover to the AA level by the end of 2017, which could occur if the Group experiences weak earnings, excessive profit distributions or continued material growth, (ii) a sustained weakening of its business profile through underperformance at its domestic or reinsurance operations and (iii) evidence of a materially higher exposure to catastrophe or other highly volatile risks.

The Group may experience losses in the event that any of its material counterparties defaults on its obligations to the Group

The Group has monetary claims under transactions with third parties who may not pay or perform under their obligations. These parties include the issuers whose debt securities are held by the Group, the banks with which the Group holds cash, reinsurers, customers, trading counterparties and other financial intermediaries. As a result, defaults by one or more of these parties on their obligations due to bankruptcy, lack of liquidity, downturns in the economy or real estate values, operational failure or other reasons, or even rumours about potential defaults by one or more of these parties or regarding the financial services industry generally, could lead to losses for the Group. These losses could include actual losses from defaults, market value losses due to credit deterioration or other reasons and impairment losses.

Fluctuations in currency exchange rates could adversely affect the Group's reported results of operations

The Group prepares its consolidated financial statements in Qatari riyal. Therefore, fluctuations in exchange rates used to translate other currencies, in particular euro and pounds sterling, into Qatari riyal will impact the Group's reported consolidated financial condition, results of operations and cash flows from period to period. These fluctuations in exchange rates will also impact the Qatari riyal value of the Group's investments denominated in other currencies and the return on those investments.

The Group may be required to raise additional capital in the future and such capital may be difficult to raise when needed

The Group has grown significantly in recent years and its strategy envisages continued growth in its business, see "*Description of the Group—Strategy*". The Group's past growth, together with the related increase in claims reserves, has negatively impacted its capital levels. The Group has sought to increase its capital by issuing bonus shares and, in the first six months of 2016, through a rights issue. In addition, the proposed issue of the Notes is also designed to increase the Group's capital.

The Group's future capital requirements depend on many factors, including continued growth in its business, its operational results, capital market developments, the volume of newly generated business and regulatory changes to capital requirements or other regulatory developments. The Group may also need to increase its capital as a result of market perceptions of adequate capitalisation levels and the perceptions of rating agencies. See "*—Any deterioration in the ratings assigned to the Group could materially adversely affect its business*" above.

As a result, the Group may need to obtain additional capital in the future. Such capital, whether in the form of debt financing or additional equity, may not be available on commercially favourable terms, or at all. Moreover, should the Group's capital fall close to regulatory minimum levels or the Group's own internal minimum levels, the Group may need to adjust its business practices to preserve its capital. If the Group is unable to maintain satisfactory capital adequacy ratios, its credit ratings may be lowered which could also materially adversely affect its business.

The Group may not be able to recruit and retain qualified and experienced personnel, which could have an adverse effect on its business and its ability to implement its strategy

The Group's success and ability to maintain current business levels and sustain growth will depend, in part, on its ability to continue to recruit and retain qualified and experienced insurance and management personnel. The market for such personnel in the Middle East is intensely competitive and the Group could face challenges in recruiting and retaining such personnel to manage its businesses.

The Group depends on the efforts, skill, reputation and experience of its senior management, as well as synergies among their diverse fields of expertise and knowledge. The loss of key personnel could delay or prevent the Group from implementing its strategies.

The Group's accounting policies and methods are critical to how it reports its financial condition and results of operations and require management to make estimates about matters that are uncertain

Accounting policies and methods are fundamental to how the Group records and reports its financial condition and results of operations. Management must exercise judgment in selecting and applying many of these accounting policies and methods so they comply with IFRS.

Management has identified certain accounting policies in the notes to the Annual Financial Statements as being critical because they require management's judgment to ascertain the valuations of assets, liabilities, commitments and contingencies. See notes 33 and 34 to the 2016 Financial Statements.

A variety of factors could affect the ultimate value that is obtained either when earning income, recognising an expense, recovering an asset or reducing a liability. The Group has established policies and control procedures that are designed to ensure that these critical accounting estimates and judgments are well controlled and applied consistently. In addition, the policies and procedures are designed to ensure that the process for changing methodologies occurs in an appropriate manner. Because of the uncertainty surrounding the Group's judgments and the estimates pertaining to these matters, the Group cannot guarantee that it will

not be required to make changes in accounting estimates or restate prior period financial statements in the future.

Proposals for future accounting under IFRS may cause higher capital costs and pressure on share prices

In June 2013, the International Accounting Standards Board published a revised exposure draft in relation to the accounting treatment for insurance contracts. The final standard is not currently expected to be published in the immediate future and it is likely that, when published, insurance companies will be given a preparatory period before any revised standard comes into effect. Based on present information, the introduction of the new standard may lead to substantial changes in the existing presentation, recognition and measurement methods for insurance contracts and may require significant and expensive changes to existing IT systems and work processes. Moreover, the envisaged changes in accounting may negatively affect certain existing products and could increase prices in direct insurance and reinsurance.

Risk Factors relating to Qatar and the MENA Region

Emerging markets such as Qatar and other markets in the MENA region are subject to greater risks than more developed markets, and financial volatility in emerging markets could negatively impact the Group's business

Generally, investment in emerging markets is only suitable for sophisticated investors who fully appreciate the significance of the risks involved in, and are familiar with, investing in emerging markets. Investors should also note that emerging markets such as Qatar are subject to rapid change and that the information in this document may become outdated relatively quickly. Moreover, financial turmoil in any emerging market country tends to adversely affect confidence in other emerging market countries and cause investors to move their money to more developed markets. As has happened in the past, financial problems or an increase in the perceived risks associated with investing in emerging economies could dampen foreign investment in Qatar and other markets in the MENA region and adversely affect those economies. In addition, during such times, companies that operate in emerging markets can face liquidity constraints as foreign funding sources are withdrawn and this could also adversely affect the Group's business and result in a decrease in the price of the Notes.

Specific risks in Qatar and the MENA region that could have a material adverse effect on the Group's business, financial condition, results of operations and prospects include, without limitation, the following:

- regional political instability, including government or military regime change, riots or other forms of civil disturbance or violence, including through acts of terrorism;
- military strikes or the outbreak of war or other hostilities involving nations in the region;
- a material curtailment of the industrial and economic infrastructure development that is currently underway across the MENA region;
- government intervention, including expropriation or nationalisation of assets or increased levels of protectionism;
- an increase in inflation and the cost of living;
- cancellation of contractual rights, expropriation of assets and/or inability to repatriate profits and/or dividends;

- increased government regulations, or adverse governmental activities, with respect to price, import and export controls, the environment, customs and immigration, capital transfers, foreign exchange and currency controls, labour policies and land and water use and foreign ownership;
- arbitrary, inconsistent or unlawful government action;
- changing tax regimes, including the imposition or increase of taxes in tax favourable jurisdictions such as Qatar;
- difficulties and delays in obtaining governmental and other approvals for operations or renewing existing ones;
- inability to repatriate profits or dividends and restrictions on the right to convert or repatriate currency or export assets; and
- potential adverse changes in laws and regulatory practices, including legal structures and tax laws.

There can be no assurance that either the economic performance of, or political stability in, the countries in which the Group currently operates or may in the future operate can or will be sustained. Investors should note that a significant deterioration in financial market conditions, instability in certain sectors of the Qatari or regional economies or major political upheaval in Qatar or the MENA region could lead to decreased investor and consumer confidence, market volatility, economic disruption, and declines in real estate markets and, as a result, could have an adverse effect on the business, results of operations, financial condition and prospects of the Group.

The Group's business is and will continue to be affected by global and regional financial markets and economic conditions and any deterioration in economic conditions in Qatar and, to a lesser extent, the other GCC countries could materially adversely impact the Group

There has been significant volatility and disruption in global capital and credit markets since the onset of the global financial crisis in late 2007. As a result, there has been, at times, a material reduction in the availability of financing. Governments around the world, including in Qatar and some of the other countries in the MENA region, have taken actions intended to stabilise financial markets and prevent the failure of financial institutions. Despite such measures, international capital and credit markets have continued to experience volatility.

The Group's business and results of operations have been adversely affected by these conditions. For example, stock market volatility in recent years has negatively impacted the Group's returns from its investment portfolio, see "*Risk factors relating to the Group—The Group's investment income could be adversely affected by fluctuations in the Qatari stock market or other financial markets generally*".

A significant proportion of the Group's business is conducted in Qatar and certain other GCC countries. For example, in 2016 30 per cent. of the Group's gross written premiums derived from GCC countries. Qatar's economy, and that of most of the other GCC countries in which the Group operates, is dependent on oil and gas and related industries, as well as the prices and production quantities of these commodities. Oil and gas prices have, however, been volatile in recent years, which has impacted economic growth in Qatar and many other GCC countries. Any deterioration in economic conditions in Qatar, whether or not due to deterioration in the oil and gas industries, could materially adversely affect the Group's business, financial condition, results of operations and prospects.

Qatar is located in a region that is subject to ongoing political and security concerns

A number of countries located in the MENA region are either experiencing, or have in the recent past experienced, political instability, domestic turmoil and violence, and armed conflict. For example, there has

been significant political change in Tunisia and Egypt, armed conflict in Iraq, Libya, Syria and Yemen, and protests and related activities in a number of other countries in the MENA region. These recent and ongoing developments, along with terrorist acts, acts of maritime piracy and other forms of instability in the MENA region, such as tensions between the United States, Israel and Iran, that may or may not directly involve Qatar, could have an adverse effect on Qatar's economy and its ability to engage in international trade which, in turn, could have an adverse effect on the Group's business, financial condition, results of operations and prospects.

The Qatar and GCC legal systems continue to develop and this may create an uncertain environment for investment and business activity

Qatar and many of the GCC countries are in various stages of developing their legal and regulatory institutions that are characteristic of more developed markets. As a result, procedural safeguards as well as formal regulations and laws may not be applied consistently. In some circumstances it may not be possible to obtain the legal remedies provided under the relevant laws and regulations in a timely manner. As the legal environment remains subject to continuous development, investors in Qatar and the GCC countries may face uncertainty as to the security of their investments. Any unexpected changes in the legal systems in Qatar and the GCC may have a material adverse effect on the rights of holders of the Notes or the investments that the Group has made or may make in the future, which may in turn have a material adverse effect on the Group's business, operating results, cash flows, prospects and financial condition.

Qatar has a relatively new insolvency law and there is no certainty as to how Qatari courts will construe or enforce such law in the event of a bankruptcy affecting QIC

Qatar has adopted a relatively new bankruptcy and insolvency provision (part of new Commercial Code No. 27 of 2006) (the "**Bankruptcy Law**"), which came into effect on 13 May 2007. The Bankruptcy Law provisions are similar to those included in the Egyptian and most other GCC laws and relate largely to the declaration of bankruptcy, its effects and its administration, and include conciliation to prevent bankruptcy. However, because the Bankruptcy Law is relatively new and untested by Qatari courts, there is no certainty as to how Qatari courts would construe or enforce the Bankruptcy Law in the event of a bankruptcy affecting QIC. There can also be no assurance that a Qatari court would compel a bankruptcy administrator to perform any of QIC's obligations under its guarantee of the Notes, as applicable, during an administration period. The Bankruptcy Law also enables Qatari courts to defer adjudication of a company's bankruptcy if the court decides that it is possible to improve that company's financial position during a period (such period to be specified by the court) or if judged to be in the interest of the national economy. Similarly, given the lack of precedent, there is no certainty as to if and how the Qatar Central Bank (the "**QCB**") might exercise its powers of temporary management and control under Law No 13 of 2012 (the "**QCB Law**") (including putting a financial institution, including insurance companies, into liquidation) in relation to financial institutions experiencing financial difficulties.

The Banking Law deals with the interim administration and liquidation of financial institutions. The Banking Law provides that the QCB may place a financial institution under interim administration if it is threatened with insolvency or at the request of the financial institution. The QCB, as the interim administrator of the relevant financial institution, is entitled to assume control over its assets and take such steps as it deems appropriate to protect such assets and the rights of its investors and customers. Following the conclusion of the interim administration, the governor of the QCB may decide to revoke the license of the financial institution and develop a plan for the liquidation of its assets and obligations.

The future attitude of Qatari courts and the related interpretation or application of Qatari law regarding the payment of interest cannot be predicted

Under the laws of Qatar, contractual provisions for charging and payment of interest have been routinely enforced by the Qatari courts. The cases that have come before the Qatari courts have involved banks licensed in Qatar enforcing interest provisions. Interest related provisions are largely untested in the context of banks or financial institutions or other investors that are not located in Qatar. A court applying Qatari law may not enforce a provision to pay accrued but unpaid interest which exceeds the principal amount of a loan. A recent Qatari Cassation Court ruling refused to grant a claimant a right to receive amounts claimed on the basis of interest accrued over the principal amount of a loan and reduced the amount of the award in such amount. Thus the future attitude of Qatari courts and the related interpretation or application of Qatari law regarding the payment of interest cannot be predicted.

There is no doctrine of binding precedent in the Qatari courts

There is no doctrine of binding precedent in the Qatari courts and reports of the decisions of the Qatari courts are not always published. As a result, any experience with and knowledge of prior rulings of the Qatari courts may not be a reliable basis on which to predict decisions that Qatari courts may render in the future. Thus the outcome of any legal dispute remains uncertain. If it was sought to enforce contractual documents in Qatar, the courts of Qatar would take account of the terms of the Qatari Civil Code, Law No. 22 of 2004 (the "**Civil Code**") and the Qatari Commercial Code, Law No. 27 of 2006 (the "**Commercial Code**"). The Civil Code provides that if the wording of a contract is clear (and assuming it is not contrary to any mandatory provisions of the law) it may not be departed from by way of interpretation, to ascertain the intention of the parties. If there is scope for an interpretative construction of a contract, reference is made thereafter to relevant legislative provisions and rules of customs and practice.

Risk factors relating to Bermuda

Bermuda tax exemption

At the present time, there is no Bermuda income or profits tax, withholding tax, capital gains tax, capital transfer tax, estate duty or inheritance tax payable by the Issuer. The Bermuda Minister of Finance (the "**Bermuda Minister**") under the Exempted Undertakings Tax Protection Act 1966, as amended, of Bermuda has granted the Issuer an assurance that if any legislation is enacted in Bermuda that would impose tax computed on profits or income, or computed on any capital asset, gain or appreciation, or any tax in the nature of estate duty or inheritance tax, then the imposition of any such tax will not be applicable to the Issuer or any of its operations, shares, debentures or other obligations until 31 March 2035. Given the limited duration of the Bermuda Minister's assurance, it cannot be certain that the Issuer will not be subject to any Bermuda tax after 31 March 2035. In the event that the Issuer becomes subject to any Bermuda tax after such date, this could have a material adverse effect on the Group's financial condition and results of operations.

Bermuda employment restrictions

The Issuer may need to hire additional employees to work in Bermuda. Under Bermuda law, generally non-Bermudians (other than spouses of Bermudians) may not engage in any gainful occupation in Bermuda without an appropriate governmental work permit. Work permits may be granted or extended by the Bermuda government upon showing that, after proper public advertisement in most cases, no Bermudian (or spouse of a Bermudian) is available who meets the minimum requirements for the advertised position. This does not apply to chief officer positions where, generally, exemptions can be obtained. If the Issuer is unable to obtain work permits for any employees it needs to hire, or if it is unable to renew the work permits held by its existing employees, it may not be able to conduct its business operations fully or efficiently and its business, financial condition and results of operations would be adversely affected.

Factors that are material for the purpose of assessing Market and other Risks associated with the Notes

Notes may not be a suitable investment for all investors

Each potential investor in the Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

(a) have sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained in this Prospectus or any applicable supplement;

(b) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact such investment will have on its overall investment portfolio;

(c) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including where principal or interest is payable in one or more currencies, or where the currency for principal or interest payments is different from the potential investor's currency;

(d) understand thoroughly the terms of the Notes and be familiar with the behaviour of any relevant indices and financial markets; and

(e) be able to evaluate (either alone or with the help of financial, legal and tax advisers) possible scenarios for economic, interest rate, taxation, legal and other factors that may affect its investment and its ability to bear the applicable risks.

The Notes are complex financial instruments and such instruments may be purchased as a way to reduce risk or enhance yield with an understood, measured, appropriate addition of risk to their overall portfolios. A potential investor should not invest in Notes, which are complex financial instruments, unless it has the expertise (either alone or with the help of financial, legal and tax advisers) to evaluate how the Notes will perform under changing conditions, the resulting effects on the value of such Notes and the impact this investment will have on the potential investor's overall investment portfolio.

Risks related to the structure of the Notes

Set out below is a description of certain features of the Notes that contain particular risks for potential investors:

Subordination and winding-up

The Issuer's payment obligations under the Notes will be unsecured and subordinated to claims in respect of all Issuer Senior Obligations (as defined in the Conditions). Further, in an Issuer Winding-Up Noteholders will not be able to enforce any rights or claims against the Issuer and will instead only be able to demand payments under the Notes when due by the Guarantor.

The Guarantor's payment obligations in relation to the Notes will be unsecured and subordinated to claims in respect of all Guarantor Senior Obligations (as defined in the Conditions) of the Guarantor in a Guarantor Winding-Up (as defined in the Conditions).

If an Issuer Winding-Up commences at a time when a Guarantor Winding-Up has not commenced or does not commence on the same calendar day, the Guarantor will be substituted in place of the Issuer as principal obligor under the Notes and the Noteholders will irrevocably assign, and shall be treated as having irrevocably assigned immediately prior to commencement of the Issuer Winding-Up, all their rights and

claims against the Issuer to the Guarantor in consideration for the Guarantor's agreement to assume the obligations of the Issuer under the Notes.

If a Guarantor Winding-Up occurs at any time, then the principal amount of the Notes will automatically be immediately and irrevocably written down to nil, any accrued and unpaid interest thereon (whether or not then due) and any Deferred Interest will automatically be immediately and irrevocably cancelled, and any remaining rights and claims will be assigned to the Guarantor, but without prejudice to the claims of the Noteholders in respect of their Notes in the Guarantor Winding-Up. Any Noteholder may claim and/or prove in the Guarantor Winding-Up in respect of its Notes but only on a subordinated basis as referred to above.

Although the Notes may pay a higher rate of interest than comparable notes which are not subordinated and contain less restrictive enforcement rights, there is a significant risk that an investor in the Notes will lose all or some of his investment should the Issuer and/or the Guarantor become insolvent. See also the risk factor entitled "*Restricted remedy for non-payment when due*" below.

Payments by the Issuer and the Guarantor are conditional upon the satisfaction of solvency requirements

Except in an Issuer Winding-Up (in which case Noteholders will have no claim against the Issuer as described in the risk factor entitled "*Subordination and winding-up*" above), all payments by the Issuer under or arising from the Notes (including any damages awarded for breach of any obligations in respect thereof) will be conditional upon the Issuer being solvent at the time for payment by the Issuer, and no amount shall be payable under or arising from the Notes unless and until such time as the Issuer could make such payment and still be solvent immediately thereafter (the "**Issuer Solvency Condition**"). For these purposes, the Issuer will be "solvent" if (i) it is able to pay its debts owed in respect of Issuer Senior Obligations and Issuer Parity Obligations (each as defined in the Conditions) as they fall due (ii) its assets exceed its liabilities (other than liabilities in respect of Issuer Junior Obligations (as defined in the Conditions)). If any payment of interest, Deferred Interest and/or principal cannot be made by the Issuer in compliance with the Issuer Solvency Condition, payment of such amounts will be deferred, and such deferral will not constitute a default under the Notes for any purpose.

In addition, except in a Guarantor Winding-Up, all payments under or arising from the Guarantee (including any damages awarded for breach of any obligations in respect thereof) shall be conditional upon the Guarantor being solvent at the time for payment by the Guarantor, and no amount shall be payable under or arising from the Guarantee unless and until such time as the Guarantor could make such payment and still be solvent immediately thereafter (the "**Guarantor Solvency Condition**"). For these purposes, the Guarantor will be "solvent" if (i) it is able to pay its debts owed in respect of Guarantor Senior Obligations of the Guarantor and in respect of Guarantor Parity Obligations (as defined in the Conditions) of the Guarantor as they fall due and (ii) its assets exceed its liabilities (other than liabilities in respect of Guarantor Junior Obligations (as defined in the Conditions)). If any payment of Guaranteed Amounts (as defined in the Conditions) in respect of interest, Deferred Interest and/or principal cannot be made by the Guarantor in compliance with the Guarantor Solvency Condition, payment of such amounts will be deferred, and such deferral will not constitute a default under the Notes or the Guarantee for any purpose. See also the risk factors entitled "*Interest payments under the Notes and the Guarantee may be deferred and under certain conditions must be deferred*" and "*Deferral of redemption*" below.

Interest payments under the Notes and the Guarantee may be deferred and under certain conditions must be deferred

The Issuer may, on any Issuer Optional Interest Payment Date (as defined in the Conditions), elect to defer payments of interest on the Notes. In addition, the Issuer is required to defer any payment of interest on the Notes (i) in the event that it cannot make such payment in compliance with the Issuer Solvency Condition or

(ii) on each Issuer Mandatory Interest Deferral Date (being an Interest Payment Date (as defined in the Conditions): (a) in respect of which an Issuer Regulatory Deficiency Deferral Event (as defined in the Conditions) has occurred and is continuing or would occur if payment of interest was made in full by the Issuer on such Interest Payment Date; (b) where payment of interest in full on such date would (on the basis that the Notes are intended to form part of the Tier 2 Capital (as defined in the Conditions) of the Issuer under the Relevant Rules (as defined in the Conditions) applicable to the Issuer) breach the Relevant Rules (as defined in the Conditions) applicable to the Issuer; (c) in respect of which a Guarantor Regulatory Deficiency Deferral Event (as defined in the Conditions) has occurred and is continuing or would occur if payment of interest or Guaranteed Amounts was made in full by the Issuer or the Guarantor on such Interest Payment Date; or (d) where payment of interest or Guaranteed Amounts in respect thereof in full on that date by the Issuer or the Guarantor, respectively, would (on the basis that the Notes and/or the Guarantee are intended to form part of the Tier 2 Capital of the Group under the Relevant Rules applicable to the Guarantor) breach the provisions of the Relevant Rules applicable to the Guarantor.

The Issuer is only required to pay interest on the Notes on any Interest Payment Date (unless such date is an Issuer Mandatory Interest Deferral Date or the Issuer could not make such payment in compliance with the Issuer Solvency Condition) where, in the 12 months ended on such Interest Payment Date, the Issuer has paid or made any distribution or paid any coupon in respect of any Issuer Junior Obligations or Issuer Parity Obligations, repurchased any of its ordinary shares for cash or there has been any redemption or repurchase by the Issuer, the Guarantor or any other Subsidiary (as defined in the Conditions) of the Issuer of any other Issuer Junior Obligations or Issuer Parity Obligations for cash (subject, in certain cases, to specified exceptions). Payment of a dividend or other distribution on the ordinary shares of the Issuer does not trigger any obligation to make payments of interest or Deferred Interest on the Notes. Further, the Issuer has absolute discretion not to repurchase its ordinary shares and has no Issuer Junior Obligations other than its ordinary shares in issue as at the date of this Prospectus.

The Guarantor may, on any Guarantor Optional Guarantee Payment Date (as defined in the Conditions), elect to defer payments of Guaranteed Amounts in respect of interest on the Notes. Each Interest Payment Date (unless such date is a Guarantor Mandatory Interest Deferral Date or the Guarantor could not make such payment in compliance with the Guarantor Solvency Condition) will be a Guarantor Optional Guarantee Payment Date unless in the 12 months ended on such Interest Payment Date, the Guarantor has declared, paid or made a dividend or distribution to its ordinary shareholders, declared, paid or made a dividend or distribution or paid any coupon on any other Guarantor Junior Obligations or Guarantor Parity Obligations, repurchased any of its ordinary shares for cash or the Guarantor or any Subsidiary of the Guarantor has redeemed or repurchased any Issuer Junior Obligations, Guarantor Junior Obligations, Issuer Parity Obligations or Guarantor Parity Obligations for cash (subject, in certain cases, to certain exceptions). The Guarantor has absolute discretion not to declare a dividend on its ordinary shares or repurchase its ordinary shares, and its ability to declare a dividend or repurchase its shares is dependent on a number of factors, including its financial condition and performance, the amount of its distributable profits and reserves on an unconsolidated basis, its capital requirements, applicable restrictions on the payment of dividends under applicable laws and regulations and such other factors as the Issuer's board of directors may deem relevant. The Guarantor has no Guarantor Junior Obligations other than its ordinary shares in issue as at the date of this Prospectus.

In addition, the Guarantor is required to defer any payment of Guaranteed Amounts in respect of interest on the Notes: (i) in the event that it cannot make such payment in compliance with the Guarantor Solvency Condition; or (ii) on each Guarantor Mandatory Interest Deferral Date (being any date in respect of which: (a) a Guarantor Regulatory Deficiency Deferral Event has occurred and is continuing or would occur if payment was made by the Guarantor on such date; or (b) where payment of any Guaranteed Amount in respect of

interest on that date by the Guarantor would breach the provisions of the Relevant Rules applicable to the Guarantor).

The deferral of interest (or Guaranteed Amounts in respect of interest) as described above does not constitute a default under the Notes or the Guarantee for any purpose. Any interest so deferred shall, for so long as the same remains unpaid, constitute Deferred Interest. Deferred Interest does not itself bear interest. Deferred Interest may, subject to certain conditions, be paid by the Issuer or the Guarantor at any time upon notice to Noteholders, but in any event shall be payable, subject to satisfaction of the Issuer Solvency Condition (in respect of payment by the Issuer) or the Guarantor Solvency Condition (in respect of payment by the Guarantor), (i) by the Issuer on the earliest to occur of (a) the next Interest Payment Date on which payment of interest in respect of the Notes is made, (b) an Issuer Winding-Up or (c) any redemption or purchase of the Notes by or on behalf of the Issuer or any of its Subsidiaries, or (ii) by the Guarantor on the earliest to occur of (a) the next date on which payment of Guaranteed Amounts in respect of interest is made, (b) a Guarantor Winding-Up or (c) redemption of the Notes by or on behalf of the Guarantor or any of its Subsidiaries.

Any actual or anticipated deferral of interest payments (or Guaranteed Amounts in respect of interest) will likely have an adverse effect on the market price of the Notes. In addition, as a result of the interest deferral provision of the Notes, the market price of the Notes may be more volatile than the market prices of other debt securities on which interest accrues that are not subject to such deferral and may be more sensitive generally to adverse changes in the Issuer's and the Guarantor's financial condition. See also the risk factor entitled "*Payments by the Issuer and the Guarantor are conditional upon the satisfaction of solvency requirements*" above and the risk factor entitled "*Deferral of redemption*" below.

The Notes are undated securities

The Notes are undated, perpetual securities in respect of which there is no fixed maturity or redemption date, but only an option for the Issuer to repay them in certain circumstances.

Therefore, prospective investors should be aware that they may be required to bear the financial risks of an investment in the Notes for an indefinite period of time.

Early redemption

The Notes may, subject as provided in Condition 8, at the option of the Issuer, be redeemed at their principal amount, together with any Deferred Interest and any other accrued but unpaid interest to (but excluding) the date of redemption, on the First Call Date or any Interest Payment Date thereafter or at any time following the occurrence of a Capital Disqualification Event, Tax Event (as defined in the Conditions), Accounting Event (as defined in the Conditions) or a Ratings Methodology Event (as defined in the Conditions).

An investor may not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Notes being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.

Deferral of redemption

Any redemption of the Notes will be subject to: (a) the Issuer having obtained the consent or non-objection of each Relevant Regulator (if then required) of the Issuer and the Guarantor; (b) in the case of any redemption or purchase by the Issuer: (A) such action being made in compliance with the Issuer Solvency Condition; (B) an Issuer Regulatory Deficiency Deferral Event not subsisting on the date of redemption or purchase and provided that the same would not occur if such redemption or purchase were effected; (C) a Guarantor Regulatory Deficiency Deferral Event not subsisting on the date of purchase or payment and provided that the same would not occur if either the Issuer or the Guarantor were to effect such purchase or effect (or, as the case may be, make payment of the Guaranteed Amounts in respect of) such redemption; and (D) each of the Issuer and the Guarantor being in continued compliance with the capital requirements then applicable to it

pursuant to the Relevant Rules; (c) in the case of any purchase by the Guarantor or any payment of Guaranteed Amounts by it in respect of redemption of the Notes: (A) such action being made in compliance with the Guarantor Solvency Condition; (B) a Guarantor Regulatory Deficiency Deferral Event not subsisting on the date of purchase or payment and provided that the same would not occur if such purchase or payment were effected; and (C) the Guarantor being in continued compliance with the capital requirements then applicable to it pursuant to the Relevant Rules; and (d) in the case of a redemption or purchase that is prior to the First Call Date, to such redemption or purchase being funded (to the extent then required by the Relevant Rules applicable to the Issuer or the Guarantor) out of the proceeds of a new issuance of capital of at least the same quality as the Notes and/or otherwise being permitted under the Relevant Rules applicable to the Issuer and the Guarantor.

See also the risk factor entitled "*Payments by the Issuer and the Guarantor are conditional upon the satisfaction of solvency requirements*" and "*Interest payments under the Notes and the Guarantee may be deferred and under certain conditions must be deferred*" above.

Variation or substitution of the Notes without Noteholder consent

The Issuer may, subject to certain conditions (including Condition 8 below) and upon notice to Noteholders and the Fiscal Agent, at any time elect to substitute all (but not only some) of the Notes for, or vary the terms of the Notes so that they remain or become, Qualifying Tier 2 Notes (as defined in the Conditions), Equity Accounted Notes (as defined in the Conditions) or Rating Agency Compliant Notes (as defined in the Conditions) (as the case may be), if, immediately prior to the giving of the relevant notice to Noteholders, an Accounting Event, a Tax Event, a Capital Disqualification Event or a Ratings Methodology Event has occurred and is continuing.

Restricted remedy for non-payment when due

The sole remedy against each of the Issuer and the Guarantor available to any Noteholder for recovery of amounts which have become due in respect of the Notes or the Guarantee will be the institution of proceedings for the winding-up in Bermuda (but not elsewhere) of the Issuer or the winding-up in Qatar (but not elsewhere) of the Guarantor and/or proving in any winding-up or in any administration of the Issuer or the Guarantor and/or claiming in the liquidation of the Issuer or the Guarantor.

Non-payment by the Issuer of any amounts when due or the occurrence of any Issuer Winding-Up will not, of itself, render the Notes immediately due and payable at their principal amount by the Guarantor, and conversely, non-payment by the Guarantor of any amounts when due or the occurrence of a Guarantor Winding-Up will not, of itself, render the Notes immediately due and payable at their principal amount by the Issuer.

In circumstances where the Issuer fails to make a payment when due but an Issuer Winding-Up has not occurred and the Guarantor has not defaulted in its obligations, the Guarantor will continue to service the Notes. Conversely, in circumstances where the Guarantor fails to make a payment when due but neither an Issuer Winding-Up nor a Guarantor Winding-Up has occurred and the Issuer has not defaulted in its obligations, the Issuer will continue to service the Notes as if the Guarantor default had not occurred.

The Noteholders' enforcement rights in the context of an Issuer Winding-Up and/or a Guarantor Winding-Up are set out in the risk factor entitled "*Subordination and winding-up*" above.

Although the Notes may pay a higher rate of interest than comparable notes which are not subordinated and contain less restrictive enforcement rights, there is a significant risk that an investor in the Notes will lose all or some of his investment should the Issuer and/or the Guarantor become insolvent or otherwise unable to make payments on the Notes. See also the risk factor entitled "*Subordination and winding-up*" above.

Modification, waivers and substitution

The Conditions contain provisions for calling meetings of holders of the Notes to consider matters affecting their interests generally and for obtaining written resolutions or electronic consents on matters relating to the Notes from holders of Notes without calling a meeting. These provisions permit defined majorities to pass an Extraordinary Resolution (as defined in the Fiscal Agency Agreement) and therefore to bind all Noteholders including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the requisite majority.

Further, a written resolution signed by or on behalf of the holders of not less than 75 per cent. in principal amount of the Notes who for the time being are entitled to receive notice of a meeting in accordance with the provisions of the Fiscal Agency Agreement and whose Notes are outstanding shall, for all purposes, take effect as an Extraordinary Resolution.

In addition to written resolutions signed by or on behalf of the holders of not less than 75 per cent. in principal amount of the Notes, in certain circumstances, where the Notes are held in global form in the clearing systems, the Issuer will be entitled to rely upon:

(i) where the terms of the resolution proposed by the Issuer have been notified to the holders through the relevant clearing system(s), in accordance with the provisions of the Fiscal Agency Agreement, approval of such resolution given by way of electronic consents communicated through the electronic communications systems of the relevant clearing systems to the Fiscal Agent or another specified agent in accordance with their operating rules and procedures by or on behalf of the holders of not less than 75 per cent. in principal amount of the Notes outstanding; and

(ii) where electronic consent is not being sought, consent or instructions given in writing directly to the Issuer (a) by accountholders in the clearing system(s) with entitlements to the Global Certificate and/or, (b) where the accountholders hold such entitlement on behalf of another person, on written consent from or written instruction by the person identified by that accountholder as the person for whom such entitlement is held. For the purpose of establishing the entitlement to give any such consent or instruction, the Issuer shall be entitled to rely on any certificate or other document issued by, in the case of (a) above, Euroclear, Clearstream, Luxembourg or any other relevant alternative clearing system (the "**relevant clearing system**") and, in the case of (b) above, the relevant clearing system and the accountholder identified by the relevant clearing system for the purposes of (b) above.

Such a written resolution or electronic consent as described above may be effected in connection with any matter affecting the interests of holders of the Notes, including the modification of the Conditions, that would otherwise be required to be passed at a meeting of holders satisfying the special quorum in accordance with the provisions of the Fiscal Agency Agreement, and shall for all purposes take effect as an Extraordinary Resolution passed at a meeting of holders of the Notes duly convened and held. The Conditions also provide that the Fiscal Agent and the Issuer may agree, without the consent of holders of the Notes, to any modification of any Notes, in the circumstances specified in Condition 14.

The Conditions also provide that the Issuer may, without the consent or approval of the holders of the Notes, vary the Conditions so that they become or, as appropriate, remain, Qualifying Tier 2 Notes, Equity Accounted Notes or Rating Agency Compliant Notes (as defined in the Conditions) (as the case may be).

Substitution of obligors and transfer of business

The Conditions oblige the Guarantor to substitute itself in place of the Issuer in the circumstances described in Condition 11(c)(ii) (being the occurrence of an Issuer Winding-Up where the Guarantor is not already in, and does not go into, a Guarantor Winding-Up on the same calendar day as the Issuer Winding-Up occurs) and the Issuer may otherwise, without the consent of the Noteholders, agree to the substitution of another

company as principal debtor or guarantor under the Notes in place of the Issuer, or, as the case may be, the Guarantor in the circumstances described in Condition 14.

No limitation on issuing senior or pari passu securities

There is no restriction on the amount of securities which the Issuer or the Guarantor may issue or guarantee, which securities or guarantees rank senior to, or *pari passu* with, the Notes or the Guarantee (as applicable). The issue or guarantee of any such securities may reduce the amount recoverable by Noteholders on a winding-up of the Guarantor. In particular, the claims of Noteholders under the Guarantee will rank junior to the claims in respect of all Guarantor Senior Obligations of the Guarantor. Accordingly, in the winding-up of the Guarantor and after payment of the claims of their respective senior ranking creditors, there may not be a sufficient amount to satisfy the amounts owing to the Noteholders. See also the risk factor entitled "*Subordination and winding-up*" above.

The Guarantor is a holding company

The Guarantor is the parent company of the Group. Certain of the operations of the Group are conducted by the operating subsidiaries of the Guarantor. Accordingly, creditors of a subsidiary would have to be paid in full before sums would be available to the shareholders of that subsidiary and thereafter (by the payment of dividends or distributions to the Guarantor) to Noteholders.

Change of law

The Conditions are based on English, Bermudian and Qatari law in effect as at the date of issue of the Notes. No assurance can be given as to the impact of any possible judicial decision or change to such law or administrative practice after the date of issue of the Notes.

Investors may experience difficulty in enforcing arbitration awards and foreign judgments in Qatar

Under the Conditions, the parties have agreed that any dispute arising out of or in connection with the Notes shall be referred to and finally resolved by arbitration in accordance with the Arbitration Rules of the London Court of International Arbitration (the "**LCIA**"), with a Noteholder having the option to require that the courts of England have exclusive jurisdiction to settle any dispute. In the event that proceedings are brought against the Guarantor before a Qatari court, in order for the Qatari court to recognise a foreign law (in this case English law), such law must be proven as an issue of fact by means of documentary evidence and expert testimony. The Qatari court may also take into consideration (a) issues of public policy when deciding to admit a foreign law as the governing law of a contract; and (b) whether certain provisions are considered mandatory provisions of Qatari law that may not be excluded contractually. Qatar formally acceded to the New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards (the "**Convention**") on 30 December 2002 which came into effect under Qatari law on 30 March 2003. As a result, foreign awards (i.e. those that are issued from a seat outside of Qatar such as London or Paris and thus subject to the procedural laws of a foreign state) should be enforced in Qatar pursuant to the terms of the Convention.

Under the terms of the Convention, the courts in Qatar will be entitled to refuse to enforce a foreign arbitration award only on certain narrowly defined grounds. Broadly, enforcement may be refused where: (i) the arbitration agreement was invalid; (ii) a party was not given an opportunity to present its case; (iii) the tribunal of arbitrators that decided the dispute was incorrectly formed or acted beyond its competence; (iv) the award is not final in the state in which it was made; (v) under the laws of Qatar the subject matter of the dispute cannot be decided by arbitration; and (vi) enforcement of the award would be against the public policy of Qatar.

There is currently no treaty or convention for the reciprocal enforcement of judgments between Qatar and England. A judgment obtained from a court in England will be enforceable in Qatar subject to the provisions

of Articles 379 and 380 of the Civil and Commercial Procedure Law, which provides, in the case of Article 379, that judgments and orders pronounced in a foreign country may be ordered to be executed in Qatar upon the conditions determined in that country for the execution of Qatari judgments and orders and provides, in the case of Article 380, that an order for execution of a foreign judgment or order will not be made unless and until the following have been ascertained: that (i) the judgment or order was delivered by a competent court of the foreign jurisdiction in question; (ii) the parties to the action were properly served with notice of proceedings and properly represented; (iii) the judgment or order is one that is capable of being executed by the successful party to the proceedings in conformity with the laws of the foreign jurisdiction in question; and (iv) the foreign judgment or order does not conflict with a previous judgment or order of a competent Qatari court and is not contrary to public policy or morality in Qatar. A Qatari court would be entitled to call for textual evidence on the laws of England concerning the conditions that would be applicable for the execution of the judgment of a Qatari court in England and the Qatari court would then be entitled to execute the judgment of the English court upon those conditions.

Accordingly, although a judgment obtained from a court in England would be admissible in evidence in any proceedings brought in Qatar, in order to enforce such judgment it would still be necessary to initiate proceedings in Qatar.

In addition, the option to litigate may create confusion as to the intended jurisdiction if the matter was brought before the courts of Qatar. The confusion may arise because Clause 192 of Law No. 13 of 1990 of Qatar makes clear that inclusion of an arbitration clause in a contract constitutes a waiver by the parties to such contract of their right to refer the dispute to the courts. Accordingly there is a risk that the courts of Qatar may find that submission to arbitration was not the sole dispute resolution forum intended by the parties and assume jurisdiction.

Waiver of sovereign immunity

QIC has waived its rights, if any, in relation to sovereign immunity under the Transaction Documents to which it is a party. However, there can be no assurance as to whether such waivers of immunity from execution or attachment or other legal process by QIC under the Transaction Documents to which it is a party are valid and binding under the laws of Qatar and applicable in Qatar.

The value of the Notes may be limited by applicable Bermuda law affecting the rights of creditors

The Issuer is incorporated under the laws of Bermuda. Under Bermuda insolvency law, a liquidator, on behalf of a company, may apply to the courts to avoid a transaction entered into by such company on the grounds that the transaction constituted a fraudulent preference if such company was insolvent at the time of, or immediately after, the transaction and entered into a formal insolvency proceeding within six months of completion of the transaction. In addition, under Bermuda law, a transaction at less than fair value and made with the dominant intention of putting property beyond the reach of creditors is voidable after an action is successfully brought by an eligible creditor for a period of up to six years from the date of the transaction. A transaction might be challenged if it involves a gift by a company or a company receives consideration of significantly less value than the benefit given by such company. A Bermuda court generally will not intervene, however, if a company enters into a transaction in good faith for the purposes of carrying on its business and there are reasonable grounds for believing the transaction would benefit the company. Under Bermuda law, a court (if it deems appropriate) may, upon application by the official receiver or a liquidator, creditor or contributory of a company being wound up, order that, where individuals were knowingly parties to the carrying on of a business of such company with the intent of defrauding creditors of such company, or any other person, or of any fraudulent purpose, such individuals be personally held liable without limitation for all or any debt or other liability of such company.

See also the risk factors entitled "*Subordination and winding-up*" and "*Restricted remedy for non-payment when due*" above.

Risks relating to the market generally

Set out below is a brief description of certain market risks, including liquidity risk, exchange rate risk, interest rate risk and credit risk:

The secondary market generally

The Notes may have no established trading market when issued, and one may never develop. Holdings in the Notes upon issue may be concentrated as they will be purchased by a limited number of initial investors, one or more of whom may hold a significant proportion of the total issuance. If a market does develop, it may not be liquid and secondary market pricing may be subject to wide fluctuations in response to many factors, including those referred to in this risk factor. Therefore, investors may not be able to sell their Notes easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. Illiquidity may have a severe adverse effect on the market value of the Notes.

Price volatility risks

The market price of the Notes could be subject to significant fluctuations in response to actual or anticipated variations on the Group's operating results, adverse business developments, changes to the regulatory environment in which the Group operates, changes in financial estimates by securities analysts and the actual or expected sale of a large number of Notes, as well as other factors. In addition, in recent months the global financial markets have experienced significant price and volume fluctuations that, if repeated in the future, could adversely affect the market price of the Notes without regard to the Group's business, results of operations, prospects and/or financial condition.

Exchange rate risks and exchange controls

The Issuer will pay principal and interest on the Notes in U.S. dollars. Payment in this way presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the "**Investor's Currency**") other than U.S. dollars. These risks include the risk that exchange rates may significantly change (including changes due to devaluation of the U.S. dollar or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to the U.S. dollar would decrease the Investor's Currency equivalent yield on the Notes, the Investor's Currency equivalent value of the principal payable on the Notes and the Investor's Currency equivalent market value of the Notes.

Governmental, supranational or monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, investors may receive less interest or principal than expected, or no interest or principal at all.

Interest rate risks

The Notes bear interest at a fixed rate up to (but excluding) the First Call Date. An investment in the Notes during that time involves the risk that subsequent changes in market interest rates may adversely affect the market value of the Notes. In addition, the reset of the fixed interest rate in accordance with the Conditions may also affect the market value of the Notes and any new fixed interest rate may be lower than the previous rate.

Credit ratings risks

One or more independent credit rating agencies may assign credit ratings to the Issuer, the Guarantor and/or the Notes. Any such rating may not reflect the potential impact of all risks related to structure, market, additional factors discussed above and other factors that may affect the value of the Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by a rating agency at any time, including by reason of the occurrence of any of the events described in this risk factors section of the Prospectus.

Investment restrictions

The investment activities of certain investors are subject to investment laws and regulations or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent the Notes are legal investments for it, whether the Notes can be used as collateral for various types of borrowing and what other restrictions apply to its purchase or pledge of the Notes or any other use of the Notes as collateral. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of the Notes under any applicable risk-based capital or similar rules.

Notes where denominations involve integral multiples

In the case of securities which have denominations consisting of a minimum specified denomination plus one or more higher integrals of another smaller amount such as the Notes, it is possible that Notes may be traded in amounts that are not integral multiples of such minimum specified denomination. In such case, a Noteholder who, as a result of trading such amounts, holds a principal amount of less than the minimum specified denomination of U.S.$200,000 will not receive a definitive Note in respect of such holding (should definitive Notes be printed) and would need to purchase a principal amount of Notes such that it holds an amount equal to one or more specified denomination.

USE OF PROCEEDS

The proceeds of the issue of the Notes, expected to amount to U.S.$450,000,000, will be applied in or towards strengthening the capital position of the Group and for the general corporate purposes of the Issuer and the Group.

SELECTED FINANCIAL INFORMATION

The following information has been extracted from, and should be read in conjunction with, and is qualified in its entirety by reference to, the Financial Statements and should also be read in conjunction with "Financial review".

For the purposes of comparability, this section presents 2015 statement of financial position financial information on both a restated and an unrestated basis. Restated 2015 financial information is directly comparable to 2016 financial information while unrestated 2015 financial information is directly comparable to 2014 financial information. See further "Presentation of Financial and Other Information—Reclassification of certain Group Statement of Financial Position Information".

Consolidated Statement of Financial Position

The table below shows the Group's consolidated statement of financial position as at 31 December in each of 2016, 2015 and 2014.

	As at 31 December			
	2016	**2015 (restated)**	**2015 (unrestated)**	**2014 (unrestated)**
	(QR million)			
Assets				
Cash and cash equivalents	6,962	3,519	3,519	2,647
Insurance and other receivables	6,653	6,481[(1)]	6,617[(1)]	2,820
Reinsurance contract assets	2,493	2,128[(1)]	5,607[(1)]	3,251
Equity accounted investments	139	83	83	77
Investments	11,435	10,594[(1)]	7,414[(1)]	6,468
Investment properties	576	408	408	375
Property and equipment	40	41	41	39
Goodwill and intangible assets	417	419	419	420
Total assets	**28,715**	**23,673**	**24,108**	**16,097**
Liabilities				
Short-term borrowings	4,065	3,543[(1)]	364[(1)]	182
Provisions, reinsurance and other payables	2,472	2,368[(1)]	2,504[(1)]	1,661
Insurance contract liabilities	13,583	11,768[(1)]	15,246[(1)]	8,331
Long-term borrowings	127	—	—	—
Total liabilities	**20,247**	**17,679**	**18,114**	**10,174**
Equity				
Share capital	2,411	1,846	1,846	1,605
Legal reserve	3,146	1,514	1,514	1,408
General reserve	287	287	287	287
Fair value reserve	111	139	139	601
Catastrophe special reserve	330	277	277	227
Foreign currency translation reserve	(15)	—	—	—
Retained earnings	1,967	1,749	1,749	1,576
Equity attributable to owners of the parent	8,236	5,812	5,812	5,704

	As at 31 December			
	2016	2015 (restated)	2015 (unrestated)	2014 (unrestated)
		(QR million)		
Non-controlling interests	232	182	182	219
Total equity	8,468	5,994	5,994	5,923
Total liabilities and equity	28,715	23,673	24,108	16,097

Note:

(1) Reclassified in 2016. See "*Presentation of Financial and Other Information—Reclassification of certain Financial Information*".

Consolidated Statement of Income and Consolidated Statement of Comprehensive Income

The tables below show the Group's consolidated statement of income and consolidated statement of comprehensive income for each of 2016, 2015 and 2014.

Consolidated statement of income

	2016	2015 (restated)	2014
		(QR million)	
Gross premiums	9,901	8,347	5,614
Premiums ceded to reinsurers	(1,323)	(1,190)	(1,274)
Net premiums	**8,578**	**7,157**	**4,340**
Movement in unexpired risk reserve	(218)	(1,370)	(662)
Net earned premiums	**8,360**	**5,787**	**3,678**
Gross claims paid	(4,818)	(2,974)[(1)]	(2,708)[(1)]
Reinsurance recoveries	814	709[(1)]	907[(1)]
Movement in outstanding claims	(1,765)	(1,606)	(606)
Net commission expense	(1,755)	(999)	(620)
Other insurance income	8	9	12
Net underwriting result	**844**	**926**	**663**
Investment income	856	739[(2)]	876[(2)]
Finance costs	(45)	(27)[(2)]	(30)[(2)]
Net investment income	**811**	**712**	**846**
Advisory fee income	51	123	116
Rental income	40	46	50
Other income	4	3	3
Total income	**1,750**	**1,810**	**1,678**
Operating and administrative expenses	(685)	(732)	(639)

	2016	2015 (restated)	2014
		(QR million)	
Depreciation and amortisation	(32)	(29)	(27)
Profit before share of results from equity accounted investments	**1,033**	**1,049**	**1,012**
Share of profit from equity accounted investments	18	15	13
Profit for the year	**1,051**	**1,064**	**1,025**
Attributable to:			
Owners of the parent company	1,034	1,044	1,002
Non-controlling interests	17	20	23

Notes:

(1) In the 2016 Financial Statements, 2015 figures were restated for the effect of intercompany transactions. Gross claims and reinsurance recoveries were both reduced with no change in the net profit. 2014 figures have been restated for comparability.

(2) In the 2016 Financial Statements, investment income was presented net of finance costs. 2014 figures have been presented in the same way for comparability.

Consolidated statement of comprehensive income

	2016	2015 (restated)	2014
		(QR million)	
Profit for the year	**1,051**	**1,064**	**1,025**
Other comprehensive income			
Net changes in fair value of available for sale financial assets	(27)	(470)	(153)
Foreign currency translation differences for foreign operations	(15)	—	—
Total comprehensive income for the year	**1,009**	**594**	**872**
Attributable to:			
Owners of the parent company	989	582	851
Non-controlling interests	20	12	21

Consolidated Statement of Cash Flows

The table below summarises the Group's consolidated statement of cash flows for each of 2016, 2015 and 2014.

	2016	2015 (restated)	2014
		(QR million)	
Net cash generated from operating activities	1,471	1,966	755
Net cash used in investing activities	(209)	(1,641)	(577)
Net cash generated from/(used in) financing activities	2,181	(547)	(883)
Cash and cash equivalents at the beginning of the year	3,519	2,647	3,352
Cash and cash equivalents at the end of the year	6,962	3,519	2,647

Notes:

(1) In the 2016 Financial Statements, investments were restated to exclude short-term borrowing and this also affected net cash used in investing activities.

(2) In the 2016 Financial Statements, short-term borrowings were restated to include margin collateral and this also affected net cash used in or generated from financing activities.

Selected Non-IFRS Financial Information and APMs

The table below shows selected non-IFRS financial information and APMs as at, and for the years ended, 31 December in each of 2016, 2015 and 2014.

	As at/year ended 31 December			
	2016	2015 (restated)	2015 (unrestated)	2014
Market capitalisation (*QR million*)	20,449	15,139	15,139	14,545
Return on equity (%)	14.7	18.1	18.1	18.4
Return on investments[1] (%)	6.0	7.9	7.9	10.7
Invested assets to total assets[2] (%)	62	56	47	59
Capital structure				
Invested assets to net technical reserves (**NTR**)[1] (%)	139	119	119	188
Cash and bank deposits to NTR *(%)*	63	37	37	52
Ratio analysis				
Combined ratio (%)	98	95	95	98
Claims ratio (%)	69	67	67	65
Expense ratio (%)	8	11	11	16
Retention ratio (%)	86.6	85.7	85.7	77.3

Notes:

(1) All ratios (including 2015 unrestated and 2014) adjusted to reflect the restatement of short-term borrowings described in "*Presentation of financial and other information—Reclassification of certain financial information—Investments and short-term borrowings*".

(2) The 2015 unrestated and 2014 figures have not been adjusted to reflect the reclassification of reinsurance contract assets and the restatement of insurance and other receivables described in "*Presentation of financial and other information—Reclassification of certain financial information—Insurance contract liabilities and reinsurance contract assets*" and "*Presentation of financial and other information—Reclassification of certain financial information—Other adjustments*".

The table below provides the information required by the ESMA Guidelines in relation to the APMs used in the table above. Unless otherwise stated, all financial statement items referred to in the reconciliation column refer to line items in the Group's consolidated statements of income and consolidated statements of financial position. All statement of income information for the interim period has been annualised by multiplying it by two.

APM	**Definition**	**Reconciliation with the relevant Financial Statements**
Return on equity	Financial measure expressing profit as a percentage of equity	Profit for the year attributable to owners of the company divided by average total equity attributable to owners of the company (calculated as the sum of the opening and closing balances divided by two)
Return on investments	Financial measure expressing the income generated by income-generating assets as a percentage of those assets	The sum of (i) investment income, (ii) advisory fee income, (iii) rental income, (iv) share of profit from equity accounted investments, and (v) other income divided by invested assets (being the sum of (i) cash and cash equivalents, (ii) investments (net of short-term borrowings against fixed income securities and managed funds), (iii) investment properties and (iv) equity accounted investments)
Invested assets to total assets	Financial measure expressing invested assets as a percentage of total assets	Invested assets (as defined above) divided by total assets
Invested assets to NTR	Financial measure expressing invested assets as a percentage of NTR	Invested assets (as defined above) divided by NTR (being the difference between insurance contract liabilities and reinsurance contract assets)
Cash and bank deposits to NTR	Financial measure expressing cash as a percentage of NTR	Cash and cash equivalents divided by NTR (as defined above)
Combined ratio	Financial measure expressing the sum of insurance-related expenses net of reinsurance recoveries as a percentage of net earned premiums	The sum of (i) gross claims paid, (ii) reinsurance recoveries, (iii) movement in outstanding claims, (iv) net commission expense, (v) other insurance income, and (vi) general and administrative expenses (in the case of (vi) above, as defined below) divided by net earned premiums. For the purposes of the above, general and administrative expenses comprise the sum of (i) operating and administrative expenses and (ii) depreciation and amortisation minus (iii) that part of those items relating to subsidiaries not engaged in insurance activities. General and administrative expenses amounted to QR 678 million in 2016 and QR 666 million and QR 589 million in each of 2015 and 2014, respectively
Claims ratio	Financial measure expressing net incurred claims as a percentage of net earned premiums	The sum of (i) gross claims paid, (ii) reinsurance recoveries, and (iii) movement in outstanding claims divided by net earned premiums

APM	Definition	Reconciliation with the relevant Financial Statements
Expense ratio	Financial measure expressing the expenses associated with acquiring, underwriting and servicing premiums as a percentage of net earned premiums	The sum of (i) general and administrative expenses (as defined above) divided by net earned premiums
Retention ratio	Financial measure indicating the level of reinsurance ceded	Net earned premiums divided by gross premiums

FINANCIAL REVIEW

The following overview of the Group's financial condition and results of operations as at, and for the years ended 31 December 2016, 2015 and 2014 should be read in conjunction with the Financial Statements included elsewhere in this Prospectus.

The Financial Statements have been prepared in accordance with IFRS. See "Presentation of Financial and Other Information". This review contains forward-looking statements which, although based on assumptions that management considers reasonable, are subject to risks and uncertainties which could cause actual events or conditions to differ materially from those expressed or implied by the forward-looking statements. For a discussion of the risks and uncertainties that the Group faces as a result of various factors, see "Risk Factors".

See "Presentation of Financial and Other Information" for a discussion of the source of the numbers presented in this section and certain other relevant information.

Overview

The Group is a Qatar-based composite insurer with a performance history spanning more than 52 years and an underwriting footprint across the Middle East and the rest of the world. Founded in 1964, QIC was the first domestic insurance company in Qatar and is the market leading insurance group in the MENA region in terms of assets, gross premiums written and net income, based on published 2016 audited results.

In addition to its non-life insurance operations within Qatar, the Group writes:

- direct insurance in other GCC countries through branches in the UAE and subsidiaries in Oman and Kuwait and in Europe through QIC Europe;
- global speciality direct insurance and reinsurance through Antares Group Holdings Limited, which is the holding company for the Group's participation in Antares Syndicate 1274 (together, "**Antares**");
- reinsurance across a global footprint through Qatar Re, which is domiciled in Bermuda and has branch operations in Zurich, Dubai and Singapore and a representative office in London;
- medical insurance and reinsurance in Qatar and the other GCC countries through QLM and QIC's regional subsidiaries and branches; and
- group life and credit life insurance and reinsurance in Qatar, other GCC countries and Malaysia through QLM and its Labuan branch.

The Group's insurance activities are diversified, both geographically and by product line. In 2016, international business represented 70 per cent. of the Group's gross written premiums, domestic business represented 17 per cent. and regional business represented 13 per cent. Across all operations in 2016, motor insurance accounted for 38 per cent. of gross written premiums, property insurance and medical and life insurance each accounted for 13 per cent., marine insurance accounted for 12 per cent., credit and surety insurance accounted for 9 per cent., liability insurance accounted for 8 per cent., energy insurance accounted for 5 per cent. and agricultural insurance accounted for 2 per cent.

The Group's growth plans are led by its international business, particularly reinsurance. In 2014, it acquired Antares and strengthened its reinsurance underwriting teams with a view to adding additional lines of business and building a global reinsurance operation, see "*Description of the Group—Strategy*".

In 2016, the Group's net underwriting result was QR 844 million and its net profit for the year was QR 1,051 million. As at 31 December 2016, the Group's total assets were QR 28,715 million.

Key Factors affecting results of Operations

Set out below is an overview of the key factors that have affected the Group's results of operations during each of 2016, 2015 and 2014 and that are expected to affect the Group's results of operations in future periods.

Acquisition of Antares

With effect from 1 January 2014, the Group acquired 100 per cent. of the share capital of Antares Holdings Limited. Antares, through its participation in Antares Syndicate 1274, is a provider of global specialty insurance and reinsurance products. The acquisition of Antares was made as part of the Group's strategy to expand internationally and to build a significant property and casualty and specialty insurance footprint.

On a standalone basis, Antares accounted for 17 per cent. of the Group's gross premiums in each of 2016 and 2015 and 24 per cent. in 2014. In 2016, Antares contributed 14 per cent. of the Group's property and casualty gross premiums and 52 per cent. of the Group's marine and aviation gross premiums. In 2015, 12 per cent. of the Group's property and casualty gross premiums and 61 per cent. of the Group's marine and aviation gross premiums were written at Antares. The lower share of Antares in the Group's gross premiums in 2016 and 2015 compared to 2014 principally reflects the fact that Qatar Re's business has grown at a faster pace than that of other Group entities.

Growth in business

The Group has experienced significant growth in business since 2014, with its gross premiums increasing from QR 5.6 billion in 2014 to QR 8.3 billion in 2015 (an increase of 48.7 per cent.) and to QR 9.9 billion in 2016 (an increase of 18.6 per cent.).

In 2015, the growth was driven principally by (i) the Group's increased focus on motor insurance (which falls within the property and casualty reporting segment) sold through Qatar Re and QIC Europe, which was established in 2014 to focus on underwriting insurance risks in Europe, (ii) growth in the Group's reinsurance business following the reorganisation during 2015 of all reinsurance activities under Qatar Re and the re-domiciliation of Qatar Re to Bermuda and (iii) an increased focus on the Group's health and life business. Reflecting these factors, the Group's property and casualty gross premiums increased by QR 2.5 billion, or 62.7 per cent., in 2015 and its health and life gross premiums increased by QR 0.2 billion, or 30.7 per cent., in that year, while its marine and aviation gross premiums increased by only QR 18 million, or 1.9 per cent., in 2015.

In 2016, the growth was principally driven by continued growth in the motor insurance and reinsurance markets through QIC Europe and Qatar Re, respectively, and also, to a more limited extent, by continued penetration in the health and life insurance market in Qatar. Reflecting this, in 2016 the Group's property and casualty gross premiums increased by QR 1.0 billion, or 15.1 per cent., and its health and life gross premiums increased by QR 0.3 billion, or 37.6 per cent.

Growth in gross premiums also impacts most of the other insurance-related line items in the Group's statement of income, with higher gross premiums typically resulting in the Group ceding more reinsurance (and therefore an increase in premiums ceded to reinsurers and an increase in reinsurance recoveries) and an increase in claims made on the Group (and therefore an increase in the amount of claims paid as well as, in the case of the Group, increases in the unexpired risk reserve and in the movement in outstanding claims). In addition, higher gross premiums will also typically translate into higher net commission expense as the Group

pays commission to intermediaries to acquire insurance policies written by the Group and earns commission on the placement of reinsurance risks ceded by it.

Financial market conditions

The Group's investment returns are impacted by financial market conditions including, in particular, volatility in equity markets and interest rates. The Group has significant balances of investment securities, including a held for trading portfolio of managed funds and an available for sale portfolio comprising debt securities, equity securities in companies listed on the Qatar Stock Exchange, equity securities in international quoted companies, unquoted equity securities and private equity investments. Changes in equity markets and interest rates can affect the Group's investment securities in a number of ways, including:

- the dividend and interest returns derived from the investment securities:
- the prices at which the investment securities are sold, which can lead to gains and losses being recorded in the Group's statement of income;
- the fair values at which the investment securities are recorded on the Group's statement of financial position, which, in turn, impacts the Group's statement of income (in the case of held for trading investments) and its statement of comprehensive income (in the case of available for sale securities); and
- through impairment charges recorded on the statement of income in the case of a significant and prolonged negative change in the market value of a security.

See further "*Results of Operations—2016, 2015 and 2014 compared–Investment Income*" for a discussion of the trends in the Group's investment income and "*Certain Statement of Financial Position items—Assets—Investments*" for a discussion of the Group's investment securities portfolio. In addition, see "*Risk Management—Balance Sheet and Market Risk—Interest rate risk*" and "*Risk management—Balance Sheet and Market Risk—Equity risk*" for the Group's sensitivity analyses in respect of interest rate risk and equity price risk.

Macroeconomic conditions

Within the GCC, the Group is impacted by economic changes primarily in Qatar and the UAE. Despite prevailing low hydrocarbon prices since mid-2014, both Qatar and the UAE have broadly stable macroeconomic fundamentals. According to the IMF in its October 2016 World Economic Database, real GDP growth was 4.6 per cent. and 4.0 per cent. in Qatar in 2013 and 2014, respectively, and 4.7 per cent. and 3.1 per cent. in the UAE in the same years. The IMF also estimates that real GDP growth rates for Qatar will have been 3.7 per cent. in 2015 and 2.6 per cent. in 2016 and for the UAE will have been 4.0 per cent. in 2015 and 2.3 per cent. in 2016. In addition, the economies of both countries are supported by large scale government and private infrastructure projects and positive demographic trends, such as growing and young populations. Reflecting these factors, the Group has experienced continued demand for its insurance and reinsurance services in the GCC, and in Qatar and the UAE in particular. In relation to its international operations, macroeconomic conditions have been mixed and, accordingly, the Group does not believe that they have had a discernible impact on its international operations in the periods under review.

Certain of the Group's insurance businesses are also impacted by underlying industry conditions. For example, softness in the marine industry has impacted premiums for marine insurance in past years and this has also affected the Group's results from its marine and aviation insurance reporting segment. The Group believes that the impact of industry conditions on its business has been partially mitigated by the following factors:

- the GCC marine industry is not as soft as that in the rest of the world;

- the Group has long-term relationships in the region, reflecting its long operating history and established reputation; and
- the Group's ability to attract and retain talent, including a strong team dedicated to the marine insurance business which assists appropriate risk selection, diversification and modelling and has resulted in generally better returns compared to the industry.

Another example is the Group's health and life insurance reporting segment which has benefited in particular from the roll out of mandatory health insurance in certain UAE emirates and expects to benefit from other regional countries implementing similar insurance schemes in the future.

Descriptions of certain Income Statement items

Net premiums, gross premiums and reinsurance premiums

The Group's net premiums comprise the premiums it receives for insurance written by it (its "**gross premiums**") less the premiums ceded to reinsurers in respect of reinsurance contracts entered into. The Group writes three principal categories of insurance:

- marine and aviation;
- property and casualty; and
- health and life,

and enters into reinsurance contracts in the normal course of business as part of its business model.

Gross premiums comprise the total premiums receivable for the whole period of cover provided by contracts entered into during the accounting period and include an estimate for written premiums receivable at the period end. Gross premiums also include any adjustments arising in the accounting period for premiums receivable in respect of business written in prior accounting periods. Premiums on insurance contracts are recognised as revenue proportionately over the period of coverage or using actuarial assumptions, as appropriate. The portion of premium received on in-force contracts that relates to unexpired risks at the reporting date is reported as unearned premiums under insurance contract liabilities in the statement of financial position.

Reinsurance premiums ceded comprise the total premiums payable for the reinsurance cover provided by contracts entered into during the accounting period and are recognised on the date on which the policy incepts. Reinsurance premiums also include any adjustments arising in the accounting period in respect of reinsurance contracts incepting in prior accounting periods.

Net earned premiums

The Group's net earned premiums comprise its net premiums less the movement in the unexpired risks reserve during the relevant accounting period.

As discussed above, the Group recognises a provision for unearned premiums when contracts are entered into and premiums are charged. This provision reflects the estimated portion of net premium income, after deduction of the reinsurance share, which relates to periods of insurance subsequent to the reporting date. The provision is brought to account as premium income over the term of the contract in accordance with the pattern of insurance service provided under the contract.

The Group's insurance contract liabilities, which include its unexpired risks reserve and its provision for outstanding claims, which is discussed further below, are derecognised when the relevant contract expires, is discharged or is cancelled.

At each reporting date, the Group reviews its unexpired risks and a liability adequacy test is performed in accordance with IFRS 4 to determine whether there is any overall excess of expected claims and deferred acquisition costs over unearned premiums. This calculation uses current estimates of future contractual cash flows relating to the relevant non-life insurance technical provisions. If these estimates show that the carrying amount of the unearned premiums (less related deferred acquisition costs) is inadequate, the deficiency is recognised in the income statement as an increase in the unexpired risk reserve.

Net underwriting result

The Group's net underwriting result reflects its net earned premiums after taking account of:

- gross claims paid, which includes all claims paid during the year and the related external claims handling costs that are directly related to the processing and settlement of the claim;
- reinsurance recoveries, which represent balances recoverable from reinsurance companies. Amounts recoverable from reinsurers are estimated in a manner that is consistent with the outstanding claims provision or settled claims associated with the reinsurer's policies and are in accordance with the related reinsurance contract;
- the movement in the provision for outstanding claims during the relevant accounting period. This provision comprises two elements. The first is the provision for outstanding claims that is recognised at the date each claim is known and covers the liability for loss and loss adjustment expenses based on loss reports from independent loss adjusters and management's best estimate. The second is a provision for claims incurred but not reported ("**IBNR**") at the reporting date and it is calculated on an undiscounted basis using a range of historic trends, empirical data and standard actuarial claims projection techniques;
- net commissions earned and paid, which are either recognised at the time the policies are underwritten (in the case of direct insurance) or are deferred and amortised over the same period as the corresponding premiums are recognised (in the case of reinsurance business); and
- other insurance income, such as policy administration and other service fees.

Investment income

The Group's investment income principally comprises the gains made by it on sales of investments and the interest and dividend income earned by it on investments. The Group classifies its investments as:

- held for trading investments; and
- available for sale investments.

All investments are initially recognised at cost, being the fair value of the consideration paid including acquisition costs associated with the investment. The fair value of the held for trading investments is re-measured on each reporting date and any gain or loss arising from a change in fair value is included in profit or loss in the period in which it arises. The fair value of quoted available for sale investments is also re-measured on each reporting date and any gain or loss arising from a change in fair value is recognised in other comprehensive income and accumulated in the fair value reserve until the available for sale investment is disposed of or determined to be impaired, at which time the cumulative gain or loss recorded in the fair value reserve is recognised in profit or loss for the relevant period. The Group does not fair value its unquoted available for sale investments, which are recorded at cost less any provision for impairment.

The Group recognises interest income by applying the effective interest rate method, except for short-term receivables when the effect of discounting is immaterial.

The Group recognises dividend income when the right to receive the dividends is established.

Significant Accounting Policies

Certain of the Group's significant accounting policies are described above. For a discussion of the accounting policies applied by the Group generally, see note 4 to each of the Financial Statements.

Critical Accounting Judgments and Key Sources of Estimation Uncertainty

In preparing the Group's financial statements, management is required to make certain estimates, judgments and assumptions. These affect the reported amounts of the Group's assets and liabilities, including disclosure of contingent assets and liabilities, at the date of the Financial Statements as well as the reported amounts of its revenues and expenses during the periods presented. Management bases its estimates and assumptions on historical experience and other factors that it believes to be reasonable at the time the estimates and assumptions are made and evaluates the estimates and assumptions on an ongoing basis. However, future events and their effects cannot be predicted with certainty and the determination of appropriate estimates and assumptions requires the use of judgment. Actual outcomes may differ from any estimates or assumptions made and such differences may be material to the Financial Statements.

Note 33 to the 2016 Financial Statements discloses three critical accounting judgments which management made when preparing the 2016 Financial Statements:

- the classification of investments as held for trading or as available for sale. Quoted securities are principally held for long-term growth and therefore are typically accounted for as available for sale investments. Financial assets which are held for trading include mutual and managed funds;
- the determination whether its financial assets are impaired. The Group determines whether its available for sale equity financial assets are impaired when there has been a significant or prolonged decline in their fair value below cost. In making this judgment, management evaluates, among other factors, the normal volatility in share price, the financial status of the investee, industry and sector performance, changes in technology and the investee's operational and financial cash flows; and
- the impairment of goodwill. The Group carries out an annual impairment test in respect of the goodwill relating to its acquired subsidiaries. In undertaking this test, management makes two critical estimates: growth rate and discount rate. In determining growth rate estimates, management project cash flows over a five year time horizon, assumes a 3.6 per cent. per annum return on capacity for Lloyd's capacity, price to book and a median equity beta of 0.46. The growth rates used in determining these factors are estimated taking into account the nature of the subsidiary's industry and general economic growth relevant to it and the Group. Management discounts the cash flows using the Group's weighted average cost of capital (which was 10.72 per cent. in the 2016 Financial Statements) which takes into account the Group's debt-equity structure, an estimated cost of equity based on the capital asset pricing model and an estimated long-term cost of debt.

Note 34 to the 2016 Financial Statements discloses three key sources of estimation uncertainty that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities in future periods. These are:

- the estimate for unpaid claims made under insurance contracts which, at 31 December 2015 and 2016, amounted to QR 5,441 million and QR 6,851 million, respectively;
- the estimate for the collectible amount of insurance and other receivables and the amount of any provision for impairment of these receivables. At 31 December 2016, the carrying values of insurance

and reinsurance receivables amounted to QR 1,371 million and QR 2,793 million, respectively, and the provisions for impairment on these classes of receivables were QR 35 million and QR 15 million, respectively; and

- the adequacy of insurance contract liabilities.

Reporting Segments

The Group's six reporting segments comprise:

- marine and aviation insurance;
- property and casualty insurance;
- health and life insurance;
- real estate;
- advisory; and
- investments.

For a discussion of the activities undertaken in each reporting segment, see "*Description of the Group—Business*".

In geographic terms, the Group's insurance business has two reporting segments: Qatar and International. In 2014, the Qatar gross premium amounted to QR 1,356 million (equal to 24.1 per cent. of the Group's total gross premium) and the international gross premium amounted to QR 4,258 million (equal to 75.9 per cent. of the Group's total gross premium). The Qatar net underwriting result amounted to QR 231 million (equal to 34.8 per cent. of the Group's total net underwriting result) and the international net underwriting result amounted to QR 432 million (equal to 65.2 per cent. of the Group's total net underwriting result). The proportionate reduction the Qatar reporting segment's share of the net underwriting result compared to 2013 principally reflected the acquisition of Antares.

In 2015, the Qatar gross premium amounted to QR 2,268 million (equal to 27.2 per cent. of the Group's total gross premium) on an unrestated basis and QR 1,432 million (equal to 17.2 per cent. of the Group's total gross premium) on a restated basis and the international gross premium amounted to QR 6,081 million (equal to 72.8 per cent. of the Group's total gross premium) on an unrestated basis and QR 6,915 million (equal to 82.8 per cent. of the Group's total gross premium) on a restated basis. The Qatar net underwriting result amounted to QR 387 million (equal to 41.7 per cent. of the Group's total net underwriting result) on an unrestated basis and QR 257 million (equal to 27.8 per cent. of the Group's total net underwriting result) on a restated basis and the international net underwriting result amounted to QR 539 million (equal to 58.3 per cent. of the Group's total net underwriting result) on an unrestated basis and QR 669 million (equal to 72.2 per cent. of the Group's total net underwriting result) on a restated basis.

In 2016, the Qatar gross premium amounted to QR 1,661 million (equal to 16.8 per cent. of the Group's total gross premium) and the international gross premium amounted to QR 8,241 million (equal to 83.2 per cent. of the Group's total gross premium). The Qatar net underwriting result amounted to QR 215 million (equal to 25.5 per cent. of the Group's total net underwriting result) and the international net underwriting result amounted to QR 629 million (equal to 74.5 per cent. of the Group's total net underwriting result).

In proportionate terms, the Qatar net underwriting result is typically significantly higher than the Qatar gross premium. This principally reflects the fact that most Qatar business is written directly which means that less premium is paid to brokers and other intermediaries than in the international business.

Results of Operations

2016, 2015 and 2014 compared

Net premiums

The Group's net premiums increased by:

- QR 1,421 million, or 19.8 per cent., from QR 7,157 million in 2015 to QR 8,578 million in 2016; and
- QR 2,817 million, or 64.9 per cent., from QR 4,340 million in 2014 to QR 7,157 million in 2015.

These increases in the Group's net premiums reflected:

- in 2016, a proportionately greater increase in the Group's gross premiums than in its premiums ceded to reinsurers; and
- in 2015, an increase in gross premiums and a decrease in premiums ceded to reinsurers

The Group's gross premiums grew by QR 1,554 million, or 18.6 per cent., in 2016 and by QR 2,733 million, or 48.7 per cent., in 2015. In 2016, the Group's gross premiums were QR 9,901 million and its premiums ceded to reinsurers were QR 1,323 million, resulting in a retention rate of 86.6 per cent. In 2015 and 2014, the Group's retention rates were 85.7 per cent. and 77.3 per cent., respectively.

The tables below show a breakdown of the Group's net premiums for each principal category of insurance written by it in each of 2016, 2015 and 2014.

2016	**Marine and aviation**		**Property and casualty**		**Life and health**		**Total insurance**
	(QR million)	*(%)*	*(QR million)*	*(%)*	*(QR million)*	*(%)*	*(QR million)*
Gross premiums	1,171	11.8	7,472	75.5	1,259	12.7	9,901
Premiums ceded to reinsurers	(303)	22.9	(978)	73.9	(43)	3.2	(1,323)
Net premiums	868	10.1	6,494	75.7	1,216	14.2	8,578

2015	**Marine and aviation**		**Property and casualty**		**Life and health**		**Total insurance**
	(QR million)	*(%)*	*(QR million)*	*(%)*	*(QR million)*	*(%)*	*(QR million)*
Gross premiums	943	11.3	6,489	77.7	915	11.0	8,347
Premiums ceded to reinsurers	(215)	18.1	(943)	79.2	(32)	2.7	(1,190)
Net premiums	728	10.2	5,546	77.5	883	12.3	7,157

2014	**Marine and aviation**		**Property and casualty**		**Life and health**		**Total insurance**
	(QR million)	*(%)*	*(QR million)*	*(%)*	*(QR million)*	*(%)*	*(QR million)*
Gross premiums	925	16.5	3,988	71.0	701	12.5	5,614
Premiums ceded to reinsurers	(268)	21.0	(982)	77.1	(24)	1.9	(1,274)
Net premiums	657	15.1	3,006	69.3	677	15.6	4,340

As shown in the table above, the growth in the Group's net premiums written has been driven by the property and casualty insurance business. Within the property and casualty insurance business, the Group's gross premiums grew by QR 983 million, or 15.1 per cent., in 2016 and by QR 2,501 million, or 62.7 per cent., in 2015. The growth in 2016 principally reflected a QR 715 million, or 23 per cent., increase in the motor insurance portfolio which was mainly contributed by Qatar Re and QIC Europe (QR 448 million) and reflects the Group's strategy of expanding its international direct insurance and its reinsurance business in this area. The growth in 2015 principally reflected a QR 1,693 million, or 123 per cent., increase in motor gross premiums and a QR 492 million, or 57 per cent., increase in fire and engineering gross premiums. The increase in motor gross premiums was mainly contributed by Qatar Re (QR 1,655 million).

Within the marine and aviation insurance business, the Group's gross premiums grew by QR 228 million, or 24.1 per cent., in 2016 and by QR 18 million, or 1.9 per cent., in 2015. The increase in 2016 principally reflected new business opportunities derived from the Group's strategic reinsurance locations such Singapore (Antares office) and Dubai (Qatar Re and DIFC branch).

Within the health and life insurance business, the Group's gross premiums grew by QR 344 million, or 37.6 per cent., in 2016 and by QR 214 million, or 30.4 per cent., in 2015. The growth in 2016 principally reflected the Group's increased focus in this area which resulted in QLM securing certain major new accounts at the start of 2016. The growth in 2015 principally reflected new accounts acquired from the domestic direct market as well as increased business arising from UAE.

The Group's retention rates in the property and casualty insurance business were 86.9 per cent. in 2016, 85.5 per cent. in 2015 and 75.4 per cent. in 2014. The increase in retention rates in 2015 principally reflected the Group's evolving mix of property and casualty business.

The Group's retention rates in the marine and aviation insurance business were 74.1 per cent. in 2016, 77.2 per cent. in 2015 and 71.0 per cent. in 2014.

The Group's retention rates in the health and life insurance business were 96.6 per cent. in 2016 and 96.5 per cent. in each of 2015 and 2014.

Net earned premium

The Group's net earned premiums increased by:

- QR 2,573 million, or 44.5 per cent., from QR 5,787 million in 2015 to QR 8,360 million in 2016; and
- QR 2,109 million, or 57.3 per cent., from QR 3,678 million in 2014 to QR 5,787 million in 2015.

In 2016, the Group experienced a QR 218 million negative movement in its unexpired risk reserve, principally reflecting negative movements of QR 114 million in the property and casualty insurance business and QR 74 million in the marine and aviation insurance business. In 2015, the Group experienced a QR 1,370 million negative movement in its unexpired risk reserve. QR 1,239 million, or 90.4 per cent., of this negative movement occurred in the property and casualty insurance business. In 2014, the negative movement in the unexpired risk reserve amounted to QR 662 million, with the property and casualty insurance business accounting for 86.8 per cent. of those negative movements. The strong premium growth experienced in the property and casualty business is the principal driver of the high share of that business in the movements in the unexpired risk reserve.

Net underwriting result

The tables below show a breakdown of the Group's net underwriting result for each principal category of insurance written by it in each of 2016, 2015 and 2014.

2016	Marine and aviation		Property and casualty		Life and health		Total insurance
	(QR million)	*(%)*	*(QR million)*	*(%)*	*(QR million)*	*(%)*	*(QR million)*
Net earned premiums........	794	9.5	6,380	76.3	1,186	14.2	8,360
Gross claims paid................	(451)	9.4	(3,236)	67.1	(1,131)	23.5	(4,818)
Reinsurance recoveries	97	11.9	418	51.4	298	36.7	814
Movement in outstanding claims.................................	(162)	9.2	(1,421)	80.5	(182)	10.3	(1,765)
Net commissions................	(160)	9.1	(1,517)	86.5	(78)	4.4	(1,755)
Other insurance income	—	—	—	—	—	—	8
Net underwriting result	118	14.0	624	74.0	94	11.2	844

2015	Marine and aviation		Property and casualty		Life and health		Total insurance
	(QR million)	*(%)*	*(QR million)*	*(%)*	*(QR million)*	*(%)*	*(QR million)*
Net earned premiums........	707	12.2	4,307	74.4	773	13.4	5,787
Gross claims paid................	(531)	17.9	(1,677)	56.4	(766)	25.8	(2,974)
Reinsurance recoveries	199	28.0	298	42.0	212	30.0	709
Movement in outstanding claims.................................	(108)	6.7	(1,441)	89.7	(57)	3.6	(1,606)
Net commissions................	(126)	12.6	(793)	79.4	(80)	8.0	(999)
Other insurance income	—	—	—	—	—	—	9
Net underwriting result	141	15.2	694	74.9	82	8.9	926

Note:

(1) Figures shown on a restated basis. Unrestated figures are:

Gross claims paid[(1)]	(568)	16.4	(2,107)	60.8	(790)	22.8	(3,465)
Reinsurance recoveries[(1)]	236	19.7	728	60.6	236	19.7	1,200

See "*Presentation of Financial and Other Information—Reclassification of certain Group Statement of Financial Position Information*".

2014	Marine and aviation		Property and casualty		Life and health		Total insurance
	(QR million)	*(%)*	*(QR million)*	*(%)*	*(QR million)*	*(%)*	*(QR million)*
Net earned premiums........	609	16.6	2,432	66.1	637	17.3	3.678
Gross claims paid................	(464)	14.9	(2,017)	64.5	(643)	20.6	(3,124)
Reinsurance recoveries	162	12.2	973	73.5	188	14.3	1,323
Movement in outstanding claims.................................	(29)	4.8	(524)	86.5	(53)	8.7	(606)
Net commissions................	(133)	21.5	(428)	69.0	(59)	9.5	(620)
Other insurance income	—	—	—	—	—	—	12
Net underwriting result	145	21.8	436	65.7	70	10.7	663

Gross claims paid

The Group's gross claims paid increased by QR 1,844 million, or 62.0 per cent., in 2016 (on a restated basis) and by QR 341 million, or 10.9 per cent., in 2015 (on an unrestated basis).

In 2016 and on a restated basis:

- gross claims paid in the property and casualty insurance business increased by QR 1,559 million, or 93.0 per cent., principally reflecting growth in the motor premiums written;
- gross claims paid in the health and life insurance business increased by QR 364 million, or 47.5 per cent., principally reflecting growth in the portfolio; and
- gross claims paid in the marine and aviation insurance business fell by QR 80 million, or 15.0 per cent., principally reflecting a better underwriting year.

In 2015 and on an unrestated basis:

- gross claims paid in the health and life insurance business increased by QR 147 million, or 22.9 per cent., principally reflecting year on year growth in the medical and health portfolio which has resulted in the higher claims volume;
- gross claims paid in the marine and aviation insurance business increased by QR 104 million, or 22.3 per cent., principally reflecting growth in the marine hull and aviation lines, which resulted in the higher claims volume; and
- gross claims paid in the property and casualty insurance business increased by QR 90 million, or 4.5 per cent.

Reinsurance recoveries

The Group's reinsurance recoveries increased by QR 105 million, or 14.8 per cent., in 2016 (on a restated basis) and fell by QR 123 million, or 9.3 per cent., in 2015 (on an unrestated basis).

In 2016 and on a restated basis:

- reinsurance recoveries in the property and casualty insurance business increased by QR 120 million, or 40.4 per cent., in line with the increase in gross claims paid in the property and casualty insurance business;
- reinsurance recoveries in the health and life insurance business increased by QR 86 million, or 40.6 per cent., principally reflecting an increased amount of reinsurance ceded in light of the growth in the health and life gross premiums written; and
- reinsurance recoveries in the marine and aviation insurance business fell by QR 102 million, or 51.1 per cent., in line with the fall in gross claims paid in the marine and aviation insurance business, as described above.

On an unrestated basis, in 2015 and reflecting the increase in the Group's retention rate, reinsurance recoveries in the property and casualty insurance business fell by QR 244 million, or 25.1 per cent., principally reflecting a decrease in fire and energy recoveries by QR 289 million and QR 78 million, respectively, which was offset by an increase of QR 121 million in motor recoveries. This decrease was offset by:

- a QR 74 million, or 45.6 per cent., increase in reinsurance recoveries in the marine and aviation insurance business, principally reflecting the 22.3 per cent. increase in the marine and insurance gross claims paid described above; and

- a QR 48 million, or 25.1 per cent., increase in reinsurance recoveries in the life and health insurance business, principally reflecting the 22.9 per cent. increase in the health and life insurance gross claims paid described above.

Movement in outstanding claims

The increase in the Group's outstanding claims in 2016 was QR 159 million, or 9.9 per cent., higher than the increase in 2015 which, in turn, was QR 1,000 million, or 165.1 per cent., higher than the increase in 2014. Movements in the Group's outstanding claims reflect both changes in the amounts of reported claims at the end of the relevant year as well as a provision for claims incurred but not yet reported. The increase in outstanding claims in 2016 and 2015 were in line with the increases in the business in those years.

Claims ratio

The Group's claims ratio (being the ratio of gross claims paid, reinsurance recoveries and movement in outstanding claims to net earned premium) amounted to 69.0 per cent. in 2016, 66.9 per cent. in 2015 (on both a restated and an unrestated basis) and 65.4 per cent. in 2014.

The claims ratio within the marine and aviation insurance business amounted to 65.0 per cent. in 2016, 62.3 per cent. in 2015 (on both a restated and an unrestated basis) and 54.5 per cent. in 2014. The principal reason for the increase in the ratio in 2015 was an increase in claims paid and a reduction in the average premium rate as a result of market softening.

The claims ratio within the property and casualty insurance business amounted to 66.4 per cent. in 2016, 65.5 per cent. in 2015 (on both a restated and an unrestated basis) and 64.5 per cent. in 2014.

The claims ratio within the health and life insurance business amounted to 85.5 per cent. in 2016, 79.1 per cent. in 2015 (on both a restated and an unrestated basis) and 79.5 per cent. in 2014. The claims ratio in the health and life insurance business is higher than that in the Group's other general lines of business due to lower profit margins and the volume-driven nature of the health business. The Group's claims ratios in this business are in line with industry averages. The increase in the claims ratio in 2016 was driven by expansion in the regional health business which required additional reserves.

Net commissions paid

The Group's net commissions paid increased by QR 755 million, or 75.6 per cent., in 2016 and by QR 379 million, or 61.2 per cent., in 2015.

In 2016:

- net commissions paid in the property and casualty insurance business increased by QR 724 million, or 91.2 per cent., principally reflecting the increase in the property and casualty gross premiums written; and

- net commissions paid in the marine and aviation insurance business increased by QR 34 million, or 27.0 per cent., principally reflecting the increase in the marine and aviation gross premiums written.

Net commissions paid in the health and life insurance business fell by QR 2 million, or 2.9 per cent., in 2016 compared to 2015.

In 2015:

- net commissions paid in the property and casualty insurance business increased by QR 366 million, or 85.6 per cent.; and
- net commissions paid in the health and life insurance business increased by QR 21 million, or 33.2 per cent.

These increases, which principally reflected the increased gross premiums written by the Group, were offset by a QR 7 million, or 4.9 per cent., fall in commissions paid in the marine and aviation insurance business.

Investment income

The Group's investment income (net of finance costs) and other income:

- increased by QR 99 million, or 14.0 per cent., from QR 712 million in 2015 to QR 811 million in 2016; and
- fell by QR 134 million, or 15.5 per cent., from QR 846 million in 2014 to QR 712 million in 2015.

The table below shows a breakdown of the Group's net investment income for each of 2016, 2015 and 2014.

	2016	2015	2014
		(QR million)	
Gain on sale of investments	109	434	541
Interest income	390	288	219
Dividends	103	121	110
Gain on sale of investment properties	191	—	—
Unrealised (loss)/gain on investments	21	(0)	(55)
Others	44	41	64
Less: impairment provisions	(2)	(145)	(3)
Total investment income	**856**	**739**	**876**
Finance costs	(45)	(27)	(30)
Net investment income	**811**	**712**	**846**

In 2016, the principal factors contributing to the QR 99 million, or 14.0 per cent., increase in net investment income were:

- a QR 191 million gain on the sale of an investment property. No investment properties were sold in 2015;
- a QR 143 million lower impairment provision in 2016 compared to 2015; and
- a QR 102 million, or 35.4 per cent., increase in interest income principally reflecting an increase in term deposit rates in Qatar and higher allocations to fixed income portfolios.

These positive factors were offset principally by a QR 325 million, or 74.9 per cent., reduction in gain on sale of investments, reflecting the fact that in 2015 the Group had booked QR 339 million as gain from sale of its economic rights in CATCO Investment Management Ltd.

In 2015, the principal factors contributing to the QR 134 million, or 15.9 per cent., fall in investment income were:

- an increase in impairment provisions of QR 142 million, principally reflecting falls in the fair value of certain of the Group's Qatari and international equity investments; and
- a fall in gain on sale of investments of QR 107 million, or 19.7 per cent., principally reflecting lower volumes of investments sold and weaker GCC equity markets.

These negative trends were offset by an increase in interest income of QR 72 million, or 37.8 per cent., principally reflecting increased allocations to the Group's fixed income portfolio.

Other income items

The table below shows the Group's other items contributing to total income in each of 2016, 2015 and 2014.

	2016	**2015**	**2014**
		(QR million)	
Advisory fee income	51	123	116
Rental income	40	46	50
Other incomes	4	3	3
Total	95	172	169

The QR 72 million, or 58.5 per cent., fall in advisory fee income in 2016 principally reflected the sale of economic rights of CATCO Investment Management Limited ("**CATCO**"), a Bermudan subsidiary which provided investment management services, which was completed on 5 December 2015. The QR 7 million, or 6.0 per cent., increase in advisory fee income in 2015 principally reflected increases in advisory fees earned through the Group's economic interest in CATCO.

The Group derives rental income from investment properties leased by it.

Operating and administrative expenses and depreciation and amortisation

The Group's operating and administrative expenses fell by QR 47 million, or 6.4 per cent., from QR 732 million in 2015 to QR 685 million in 2016. This fall resulted from the implementation of different reform measures across the Group, including a structural reorganisation to capitalise on shared resources and improve operating efficiency.

The Group's operating and administrative expenses increased by QR 93 million, or 14.5 per cent., from QR 639 million in 2014 to QR 732 million in 2015. This increase principally reflected increases of QR 56 million, or 18.3 per cent., in employee related costs and QR 36 million, or 11.7 per cent., in other operating expenses, both of which were driven by the expansion of Qatar Re.

The Group's depreciation and amortisation expense was QR 32 million in 2016, QR 29 million in 2015 and QR 27 million in 2014, and principally related to the Group's investment properties and other property and equipment.

Share of profit from equity accounted investments

The Group has four associates, each of which is accounted for using the equity method of accounting. Under this method, the Group's share of the net profit or loss made by each associate is recorded on an aggregate basis in the Group's income statement.

The Group's share of profit from equity accounted investments increased by:

- QR 3 million, or 20 per cent., from QR 15 million in 2015 to QR 18 million in 2016; and
- QR 2 million, or 15.0 per cent., from QR 13 million in 2014 to QR 15 million in 2015.

Profit for the year

Reflecting the above factors, the Group's profit for the year fell by QR 13 million, or 1.2 per cent., from QR 1,064 million in 2015 to QR 1,051 million in 2016 and increased by QR 39 million, or 3.8 per cent., to QR 1,064 million in 2015 from QR 1,025 million in 2014.

Other comprehensive income

The Group's only items of other comprehensive income are the net change in the fair value of its quoted available for sale investments and, in 2016, its foreign currency translation differences for foreign operations. In 2016, the Group recorded a QR 27 million negative net change on its quoted available for sale investments and QR 15 million negative foreign currency translation differences, reflecting foreign exchange differences arising from the translation of the financial statements of foreign operations. In 2015, the Group recorded a QR 470 million negative net change on its quoted available for sale investments and, in 2014, it recorded a QR 153 million negative net change on these investments. In all cases, these changes in quoted available for sale investments principally reflected changes in the stock market valuations of the Group's available for sale investments.

Certain Statement of Financial Position items

Assets

As at 31 December 2016, the Group's total assets amounted to QR 28.7 billion. The Group's principal assets are its investments, its cash and cash equivalent balances, its insurance and other receivables and its reinsurance contract assets.

The table below shows these assets as at 31 December in each of 2016, 2015 and 2014.

	As at 31 December			
	2016	**2015 restated**	**2015 unrestated**	**2014**
	(QR million)			
Investments	11,435	10,594	7,414	6,468
Insurance and other receivables	6,653	6,481	6,617	2,820
Cash and cash equivalents	6,962	3,519	5,607	3,252
Reinsurance contract assets	2,493	2,128	2,210	2,066
Other assets	1,172	951	951	911
Total assets	**28,715**	**23,673**	**24,108**	**16,097**

Note:

See "*Presentation of Financial and Other Information—Reclassification of certain Financial Information*".

Investments

The Group's investments principally comprise a portfolio of held for trading managed funds and equity securities and a portfolio of available for sale securities, comprising quoted equity securities and debt securities issued by Qatari companies, international quoted equity securities and unquoted equity securities and private equity investments.

The table below shows the carrying amounts of the Group's investments as at 31 December in each of 2016, 2015 and 2014.

	As at 31 December			
	2016	**2015 restated**	**2015 unrestated**	**2014**
	(QR million)			
Held for trading investments				
Managed funds and shares	927	665	2,868	1,529
Bonds	1,943	2,299	–	–
Total held for trading investments	**2,870**	**2,964**		
Available for sale investments				
Quoted Qatari shares	1,469	1,894	1,894	1,898
Bonds	6,347	4,836	1,752	1,965
International quoted shares	213	426	426	655
Unquoted shares and private equity	536	474	474	421
Total available for sale investments	**8,565**	**7,630**	**4,546**	**4,939**
Total investments	**11,435**	**10,594**	**7,414**	**6,468**

Note:

See "*Presentation of Financial and Other Information—Reclassification of certain Financial Information*".

Growth in the Group's investments in both 2016 and 2015 was principally driven by increases in the available for sale bond portfolio. The Group's investment strategy is described under "*Description of the Group—Business—Investments*". For a discussion of the manner in which the Group manages the risks associated with investment portfolio, see "*Risk Management*".

Insurance and other receivables

The Group's insurance and other receivables are initially recognised when due at the fair value of the consideration receivable. The carrying value of the receivables is assessed for impairment whenever there is objective evidence that a receivable may not be recoverable. The table below shows a breakdown of the Group's insurance and other receivables as at 31 December in each of 2016, 2015 and 2014.

	As at 31 December			
	2016	**2015 restated(1)**	**2015 unrestated**	**2014**
		(QR million)		
Due from policyholders	1,406	1,106	1,037	963
Impairment loss on doubtful receivables	(35)	(28)	(14)	(10)
Net receivables from policyholders	**1,371**	**1,078**	**1,023**	**953**
Due from re-insurance companies	2,808	3,068	3,379	1,155
Impairment loss on doubtful receivables	(15)	(11)	(25)	(21)
Net receivables from re-insurance companies	**2,793**	**3,057**	**3,354**	**1,134**
Other receivables	2,489	2,346	2,240	733
Total net receivables	**6,653**	**6,481**	**6,617**	**2,820**

Note:

(1) See "*Presentation of Financial and Other Information—Reclassification of certain Financial Information*".

The Group's insurance and other receivables are recognised when due and measured on initial recognition at the fair value of the consideration received or receivable. The carrying value of the receivables is reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable, with the impairment loss recorded in the consolidated statement of income. After initial measurement, insurance and other receivables are measured at amortised cost as deemed appropriate.

In 2015 and 2016, the Group's total net insurance receivables increased by 135 per cent. (on an unrestated basis) and by 3 per cent. (on a restated basis), respectively, principally reflecting the expansion of the Group's international operations.

Information about the ageing of certain of the Group's receivables is set out in note 31 to the 2016 Financial Statements.

Cash and cash equivalents

The Group retains significant cash balances which it invests principally in time deposits having a maturity of less than three months. A small part of these time deposits (2.4 per cent. at 31 December 2016) are secured against guarantees by the Group.

Reinsurance contract assets

The Group cedes insurance risk as part of its normal business activities. Reinsurance contract assets represent balances recoverable from reinsurance companies. These amounts are estimated in a manner consistent with the outstanding claims provision or settled claims associated with the reinsurers' policies.

The Group's reinsurance contract assets represent the aggregate of claims reported to the reinsurer but not settled at the reporting date, claims incurred but not reported to the reinsurer at the reporting date and unearned premiums. The table below shows a breakdown of the Group's reinsurance contract assets as at 31 December in each of 2016, 2015 and 2014.

	As at 31 December			
	2016	**2015 restated(1)**	**2015 unrestated**	**2014**
	(QR million)			
Claims reported but not settled	1,130	972	1,557	1,413
Claims incurred but not reported	723	335	1,368	416
Unearned premiums	640	821	2,682	1,422
Total reinsurance contract assets	**2,493**	**2,128**	**5,607**	**3,251**

Note:

(1) See "*Presentation of Financial and Other Information—Reclassification of certain Financial Information*".

Liabilities

As at 31 December 2016, the Group's total liabilities amounted to QR 20.2 billion. The Group's liabilities are its insurance contract liabilities, its provisions, reinsurance and other payables and its borrowings (which are discussed under "*Liquidity and Funding*" below).

The table below shows the Group's liabilities as at 31 December in each of 2016, 2015 and 2014.

	As at 31 December			
	2016	**2015 restated(1)**	**2015 unrestated**	**2014**
	(QR million)			
Insurance contract liabilities	13,583	11,768	15,246	8,331
Provisions, reinsurance and other payables	2,471	2,368	2,504	1,661
Borrowings	4,193	3,543	364	182
Total liabilities	**20,247**	**17,679**	**18,114**	**10,174**

Note:

(1) See "*Presentation of Financial and Other Information—Reclassification of certain Financial Information*".

Insurance contract liabilities

The table below shows the Group's insurance contract liabilities on both a gross and a net (i.e. after deducting reinsurance contract assets) basis as at 31 December in each of 2016, 2015 and 2014.

	As at 31 December			
	2016	**2015 restated**	**2015 unrestated**	**2014**
	(QR million)			
Claims reported but not settled	5,083	3,839	4,423	3,220

	As at 31 December			
	2016	2015 restated	2015 unrestated	2014
		(QR million)		
Claims incurred but not reported	3,622	2,909	3,939	1,467
Unearned premiums	4,878	5,020[(1)]	6,884	3,644
Gross insurance contract liabilities	**13,583**	**11,768**	**15,246**	**8,331**
Claims reported but not settled	3,953	2,867	2,867	1,806
Claims incurred but not reported	2,898	2,574	2,571	1,052
Unearned premiums	4,239	4,198	4,201	2,222
Net insurance contract liabilities	**11,090**	**9,639**	**9,639**	**5,080**

Note:

(1) See "*Presentation of Financial and Other Information—Reclassification of certain Financial Information*".

Provisions, reinsurance and other payables

The Group's payables principally comprise amounts due to reinsurance companies and trade payables which together accounted for 61.3 per cent. of its total provisions, reinsurance and other payables as at 31 December 2016, 58.5 per cent. (on a restated basis) as at 31 December 2015 and 71.9 per cent. as at 31 December 2014.

Equity

As at 31 December 2016, the Group's total equity amounted to QR 8.5 billion. The Group's equity comprises its share capital, reserves, retained earnings and non-controlling interests. The table below shows the Group's equity as at 31 December in each of 2016, 2015 and 2014.

	As at 31 December		
	2016	2015	2014
		(QR million)	
Share capital	2,411	1,846	1,605
Legal reserve	3,145	1,514	1,408
General reserve	287	287	287
Fair value reserve	111	139	601
Catastrophe special reserve	330	277	227
Foreign currency translation reserve	(15)	—	—
Retained earnings	1,967	1,749	1,576
Non-controlling interests	232	182	219
Total equity	8,468	5,994	5,923

Share capital

As at 31 December 2016, the Group's share capital comprised 241,138,659 authorised, issued and fully paid shares of QR 10 each. The Group's share capital increased by QR 565 million in 2016 following a rights issue in the second quarter of the year. The Group's share capital increased by QR 241 million in 2015 and by QR 321 million in 2014 as a result of the issue of bonus shares to shareholders.

Reserves

QIC's legal reserve comprises 10 per cent. of its net profit for each year. It is not available for distribution except in the circumstances specified in the QCB's regulations and applicable provisions of Qatari's Commercial Companies Law. The legal reserve also includes the Group's share in the legal reserves of subsidiary companies.

Movements in the fair value reserve reflect changes in the fair values of the Group's available for sale investments.

The creation of the Group's catastrophe special reserve was approved by its Board of Directors (the "**Board**") in January 2011. The reserve may only be used when a catastrophic event has occurred and then only after the approval of shareholders at the annual general meeting following the recommendation of the Board.

Retained earnings

Reflecting its profitability, dividend payments and transfers to reserves, the Group's retained earnings increased by QR 218 million in 2016 and by QR 173 million in 2015.

Liquidity and Funding

Overview

The Group's principal sources of funds are insurance and reinsurance premiums and net investment income (including realised investment gains). The principal uses of funds are to pay insurance claims and related costs and other operating expenses. The Group has no significant capital expenditure programme. Operating cash flow, together with other available sources of liquidity, has enabled the Group to meet its historic liquidity requirements and the Group expects that this will continue to be the case in the future.

In common with other insurance companies, the Group's liquidity is principally invested in time deposits, equity securities and debt securities. As at 31 December 2016, the Group had only limited long-term debt (comprising a mortgage secured by investment property), although it has funded itself with short-term borrowings from time to time in the periods under review.

Maintaining adequate levels of capital is a prime concern for the Group. The composition of its investment portfolio is governed by the need to cover its net technical reserves ("**NTR**s"), which are the difference between insurance contract liabilities and reinsurance contract assets with liquid investments in strongly rated securities, with any excess funds being invested in a mix of equities and managed funds.

The table below shows the ratio of the Group's invested assets to its NTRs and the ratio of the Group's cash and bank deposits to its NTRs, in each case as at 31 December in each of 2016, 2015 and 2014.

	As at 31 December			
	2016	2015 restated	2015 unrestated	2014
		(%)		
Invested assets to NTRs	139	119	119	188
Cash and bank deposits to NTRs	63	37	37	52

Cash flows

The table below summarises the Group's cash flows for each of 2016, 2015 and 2014.

	2016	2015 restated	2015 unrestated	2014
		(QR million)		
Net cash generated from operating activities	1,471	1,966	1,966	755
Net cash used in investing activities	(209)	(1,641)	(759)	(577)
Net cash (used in)/generated from financing activities	2,181	547	(335)	(883)
Cash and cash equivalents at the beginning of the year	3,519	2,647	2,647	3,352
Cash and cash equivalents at the end of the year	6,962	3,519	3,519	2,647

Net cash generated from operating activities

In 2016, net cash generated from operating activities before working capital adjustments was QR 258 million compared to QR 383 million in 2015 and QR 166 million in 2014, in each case principally reflecting the Group's profit adjusted to reflect investment and other finance income and, in 2016, gain on sale of investment properties. The principal working capital changes were changes in insurance and other receivables (in 2015 and 2014) and net changes in insurance reserves (in all three years). After these adjustments, net cash from operating activities was QR 1,471 million in 2016, QR 1,966 million in 2015 and QR 755 million in 2014.

Net cash used in investing activities

In 2016, net cash used in investing activities was QR 209 million compared to QR 1,641 million (on a restated basis) and QR 759 million (on an unrestated basis) in 2015 and QR 577 million in 2014. The Group's cash flows from investing activities principally reflect net cash movements in investments (i.e. the net effect of buying and selling investments), the proceeds of sale from investment properties and investment income and other finance income. In 2016 and 2015 (on a restated basis), the Group had negative QR 902 million and a negative QR 2,443 million net cash movements in investments, QR 902 million of negative cash movement in investments in 2016 reflects the net purchase of fixed income securities in an amount of QR 1.1 billion and the net sale of equity securities in an amount of QR 313 million. In addition, QR 620 million was received as interest and other finance income and a net QR 191 million was received in proceeds from the sale and purchase of investment properties. In 2015 in aggregate on a restated basis, the Group purchased fixed income

securities in an amount of QR 1.8 million and purchased equity securities in an amount of QR 55.0 million. This was principally offset by QR 857 million interest and other finance income.

In 2015 on an unrestated basis, net cash used in investing activities was QR 759 million compared to net cash used in investing activities of QR 577 million in 2014. In 2015, the Group had a negative QR 1,561 million net cash movement in investments (principally reflecting a QR 1,345 million increase in portfolio investments due to the acquisition of Antares), which was offset by QR 857 million investment and other finance income.

In 2014, the Group had a QR 1,015 million net cash outflow associated with the acquisition of Antares and a negative QR 460 million net cash movement in investments (principally reflecting net purchases of quoted equity securities in an amount of QR 294 million and a movement in the fair value reserve of QR 153 million), which was offset by QR 896 million investment and other finance income.

Net cash generated from/used in financing activities

In 2016, net cash generated from financing activities was QR 2,181 million compared to net cash generated from financing activities of QR 547 million (on a restated basis) and net cash used in financing activities of QR 335 million (on an unrestated basis) in 2015 and net cash used in financing activities of QR 883 million in 2014. In 2016, the Group issued 38,055,079 new shares under its rights issue offering to existing shareholders (one share for every five shares held) at QR 50 per share, raising QR 1,902 million. The Group also borrowed a net QR 699 million. In 2015 on an unrestated basis, the Group borrowed a net QR 1,064 million on a short-term basis. In both years, the principal cash outflow was dividend payments which totalled QR 453 million in 2016 and QR 401 million in 2015.

In 2015 on an unrestated basis, net cash used in financing activities was QR 335 million compared to net cash used in financing activities of QR 883 million in 2014. In 2015 on an unrestated basis, the Group borrowed a net QR 182 million on a short-term basis and paid dividends of QR 401 million and spent a net QR 117 million on the acquisition of non-controlling interests.

In 2014, the Group repaid a net QR 564 million in short-term borrowings and paid dividends of QR 321 million.

Funding

The Group had QR 127 million in long-term debt outstanding as at 31 December 2016, comprising a mortgage loan, which bears fixed interest of 2.775 per cent. per annum. The loan is secured by an investment property owned by the Group in the United Kingdom with a carrying value of QR 208 million as at 31 December 2016. The secured loan is repayable in 2021.

The table below shows the Group's outstanding borrowings as at 31 December in each of 2016, 2015 and 2014.

	As at 31 December			
	2016	**2015 restated**	**2015 unrestated**	**2014**
	(QR million)			
Short-term borrowings	4,065	3,543	364	182
Long-term borrowings	127	—	—	—
Total borrowings	**4,193**	**3,543**	**364**	**182**

Note:

See *"Presentation of Financial and Other Information – Reclassification of Certain Financial Information"*.

The Group's short-term borrowings are typically denominated in U.S. dollars and the Group converts the proceeds into Qatari riyal and places them as time deposits with local banks at a higher yield than it pays on the borrowings. Because the Qatari riyal is pegged to the U.S. dollar, there is no exchange rate risk provided that the peg is maintained.

As at 31 December 2016, the Group had no committed but not yet drawn financing.

Short term borrowings collateralised by fixed income securities

Short term borrowings collateralised by fixed income securities represents a short-term funding mechanism for the Group. The Group pledges fixed income securities as collateral against its short-term borrowings. The Group follows a policy whereby the short-term borrowings in the form of margin collateral cannot exceed its cash and cash equivalent balances.

The table below shows the Group's short term borrowings collateralised by fixed income securities, the fair value of its fixed income portfolio (including securities posted as margin collateral) and its cash and cash equivalent balances as at 31 December in each of 2016, 2015 and 2014.

	As at 31 December		
	2016	**2015**	**2014**
		(QR million)	
Margin collateral posted	(3,684)	(3,084)	(2,247)
Gross fixed income portfolio	6,347	4,836	4,212
Cash and cash equivalents	6,962	3,519	2,647

Related Party Transactions

The Group's related party transactions as at, and during 2016 and 2015 are described in note 29 to the 2016 Financial Statements. The Group's related party transactions as at, and during the year ended, 31 December 2014 are described in note 28 to the 2015 Financial Statements.

Off Balance Sheet Contingencies and Commitments

The Group's off balance sheet contingencies and commitments as at 31 December 2016 are described in note 27 to the 2016 Financial Statements and comprise certain guarantees given by it to banks, certain investment commitments entered into and its future minimum payments under non-cancellable operating leases. In aggregate, these commitments and contingencies amounted to QR 2,357 million as at 31 December 2016. The Guarantor has also provided an unconditional guarantee of the obligations of five of its subsidiaries to their policy holders and senior creditors for the purposes of obtaining a rating from international rating agencies. These subsidiaries are QICI; Qatar Re; QLM; Kuwait Qatar Insurance Company and QIC Europe.

Disclosures about Risk

The Group is exposed to a number of financial risks and takes steps to mitigate certain of these risks as described in "*Risk management*" and in note 31 to the 2016 Financial Statements.

DESCRIPTION OF THE ISSUER

Registered Office

The registered office of the Issuer is at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda and the head office of the Issuer is at 71 Pitts Bay Road, Pembroke HM 08, Bermuda. The telephone number of the Issuer's head office is +1 441 400 5000.

Date of Incorporation and Legal Form

The Issuer was incorporated on 6 December 2009 in the Qatar Financial Centre (the "**QFC**") as a limited liability company with registration no. 00117. On 24 November 2015, the Issuer completed its re-domiciliation from the QFC to Bermuda and was incorporated in Bermuda as an exempted company with limited liability and registration no. 50896.

The authorised share capital of the Issuer is U.S.$1,200,000 and the issued share capital of the Issuer as at 31 December 2016 comprised 1,000,000 ordinary shares of U.S.$1.00 par value. The Issuer is owned by a single shareholder, QIC Capital, a limited liability company incorporated in the QFC. QIC Capital is a majority-owned subsidiary of the Guarantor.

Purpose and Business Activity

The Issuer is primarily engaged in the business of reinsurance and was authorised as a Class 4 Insurer by the Bermuda Monetary Authority on 24 November 2015. Prior to its re-domiciliation to Bermuda, the Issuer was authorised and regulated by the Qatar Financial Centre Regulatory Authority, the independent regulator of firms and individuals conducting financial services in or from the QFC.

The principal objects of the Issuer are unrestricted and, as set out in its Memorandum of Continuance, the Issuer may do all such things as are incidental or conducive to the attainment of its objects and has the capacity, rights, powers and privileges of a natural person.

The Issuer's vision is to build a leading and broadly diversified global reinsurance company. The business activities of the Issuer are discussed in more detail under "*Description of the Group—Business—Insurance*".

The Issuer has a single wholly-owned subsidiary, Qatar Reinsurance Services LLC, a limited liability company incorporated in the QFC on 13 October 2015, which is primarily engaged in the provision of management services to the Issuer.

Management

Board of directors

The directors of the Issuer and their principal activities are as follows:

Name	Position	Principal activities
Gunther Saacke	Executive Director	See "*Management and Employees—Management—Executive management*"
Sunil Talwar	Non-Executive Director and Chairman	See "*Management and Employees—Management—Executive management*"

Name	Position	Principal activities
Ali Al Fadala	Non-executive Director	See "*Management and Employees—Management—Executive management*"
George Andrew Prescott	Independent Non-executive Director	George Prescott was Deputy Chief Executive of Ecclesiastical Insurance Group ("**EIG**") from 1997 until his retirement in 2009, following an industry career spanning four decades. In his role with EIG he was responsible for the Group's investment, finance, internal audit and compliance functions. Mr Prescott also served for a number of years as a Non-Executive Director on the boards of Mapfre Reinsurance, Commerce Insurance (USA) and Mapfre USA and was a member of the Association of British Insurers' Investment Committee. He is also currently a Non-Executive Director on the boards of Capital Gearing Trust plc, J.P. Morgan Cazenove Pension Trustee Limited and Giles Insurance Brokers Ltd. Mr Prescott holds a Bachelor's degree in Spanish and French from the University of London. He is also a qualified Chartered Accountant and Fellow of the Institute of Chartered Accountants in England and Wales.
David John Forcey	Independent Non-executive Director	David Forcey has over four decades of experience in international and reinsurance broking. Prior to his retirement he held various senior positions and directorships at Aon Limited, including as Managing Director, Deputy Chairman and Chairman. Before joining Aon in 1996, Mr Forcey held senior roles with Steel Burrell Jones Group plc and Jardine Thompson & Graham Limited. Mr Forcey is an Associate of the Chartered Insurance Institute.
David Sykes	Independent Non-executive Director	David Sykes has 25 years' experience in insurance management and accounting in Bermuda. David is the Managing Director of Strategic Risk Solutions (Bermuda) Ltd ("**SRS**"), the largest independent insurance manager in the world. Prior to joining SRS, he was Senior Vice President with Marsh IAS Management Services in Bermuda. Mr Sykes has worked with a variety of insurance companies, including those in the professional sports, healthcare, energy and marine industries. He has also been instrumental in providing formation and management services to several insurance and reinsurance companies in Bermuda, Lloyds' syndicates and Bermuda reinsurance groups. Mr Sykes holds a Bachelor's degree in Applied Mathematics from the University of Warwick. He is also a Member of the Institute of Chartered Accountants of England and Wales and an Associate of the Chartered Insurance Institute.

The business address of each of the directors of the Issuer is 71 Pitts Bay Road, Pembroke HM 08, Bermuda. There are no potential conflicts of interest between the private interests or other duties of the directors listed above and their duties to the Issuer.

Board committees

The Issuer has three Board Committees:

- **Investment Committee**, which assists the Issuer's board of directors in the coordination and oversight of the Issuer's investment portfolio;
- **Audit Committee**, which assists the Issuer's board of directors in its oversight of the integrity of the Issuer's financial statements, effectiveness of internal control and internal and external auditors; and
- **Risk and Capital Committee**, which assists the Issuer's board of directors in overseeing and challenging the Issuer's risk management and capital management activities.

Senior management

The senior management of the Issuer and their principal activities are as follows:

Name	Position	Principal activities
Gunther Saacke	Chief Executive Officer	See "*Management and Employees—Management—Executive management*"
Luke Roden	Chief Underwriting Officer – Short Tail Classes and Ceded Reinsurance	Luke Roden has a track record of developing and maintaining large, profitable portfolios of treaty reinsurance business over the last 24 years and has been central to the development of the Issuer since his appointment in 2012. Mr Roden has lived and worked in North America, Europe, Bermuda and the Middle East during his career. Mr Roden is responsible for all short tail classes of business underwritten by the Issuer and for all retrocession purchasing. Mr Roden is also the Principal Representative of the Issuer in Bermuda.
Michael van der Straaten	Chief Underwriting Officer – Long Tail and Specialty Classes	Michael van der Straaten began his career at Lloyd's as a Box Manager and Non-Marine Property Treaty Underwriter. Mr van der Straaten joined Qatar Re in December 2016 from Chubb Tempest Re where he held the role of Deputy Head of London and Head of Casualty, overseeing the development of the international casualty and motor portfolios. Prior to this, Mr van der Straaten held various underwriting positions with a primary focus on casualty lines alongside wider management responsibilities. Mr van der Straaten's appointment remains subject to regulatory approval.
Parvez Siddiqui	Chief Financial Officer	Parvez Siddiqui is a Chartered Accountant with long strategic experience in start-up insurance/reinsurance operations, with particular expertise in risk management, business applications, local/regional accounting, auditing and legal frameworks. Mr Siddiqui has over 15 years' experience at senior level in finance, accounts, HR, insurance and reinsurance. Mr Siddiqui joined the Group in 2004 and has been part of the core finance team looking after expansion initiatives. Before joining the Group, Mr Siddiqui held managerial positions in finance and reinsurance at the Reliance General Insurance Company, India.
Andrew Smith	Chief Risk Officer	Andrew Smith joined the Issuer in May 2016 having worked with the Issuer on its re-domiciliation to Bermuda as a consultant. Prior to joining the issuer, Mr Smith led the financial services risk management and actuarial teams at Ernst & Young in Bermuda. Mr Smith has spent the past five years in Bermuda, advising and supporting commercial clients and

Name	Position	Principal activities
		industry associations on the changing risk and capital agenda. Prior to moving to Bermuda, Mr Smith was with PwC, based in London, working in the London market and internationally with clients across Europe, Asia and the Americas. While Mr Smith has focused on risk management for most of his career, he is an accountant by training and is a Member of the Institute of Chartered Accountants of Bermuda, a Fellow of the Association of Chartered Certified Accountants and a Member of the Institute of Chartered Accountants in England and Wales.
Stephen Tidd	Chief Operating Officer	Stephen Tidd joined the Issuer in October 2015 as Head of Operations and was appointed Chief Operating Officer on 1 July 2016. Mr Tidd has over 25 years' experience in the insurance industry, including business leadership, general and operations management, and as a technical specialist. Mr Tidd's experience extends across both the retail and reinsurance sectors, with a particular emphasis on UK motor insurance. Prior to joining the Issuer, Mr Tidd served as Managing Director of Service Underwriting Agency Ltd.
Mark Cockroft	Chief Actuary	Mark Cockroft has more than 20 years' experience in general insurance actuarial work, with expertise in pricing, reserving and capital modelling for a variety of lines of business and firms. Mr Cockroft started his career in the London market and international reinsurance operations such as GE Frankona and Endurance. Prior to joining the Issuer, he chaired the Institute of Actuaries working party, researching the effects of Periodic Payment Orders in the United Kingdom. Mr Cockroft is a Fellow of the Institute and Faculty of Actuaries, founding member of the committee for the Gulf Actuarial Society, and a member of International Actuarial Association's Section for Actuarial Studies in Non-life Insurance (ASTIN).

At a meeting of the Issuer's Board of Directors held on 8 December 2016, approval was granted for the appointment of Richard Sutlow as Chief Financial Officer ("**CFO**") and Sandeep Nanda as Chief Investment Officer ("**CIO**") of the Issuer.

Mr Sutlow is expected to take up his role as CFO of the Issuer in the third quarter of 2017 and will replace the Issuer's current CFO, Parvez Siddiqui. Mr Sutlow joins the Issuer from sister company Antares Managing Agency Limited ("**AMAL**") where he is currently the CFO and where, in conjunction with Stephen Redmond (Managing Director of AMAL), he was responsible for raising the capital and establishing the group structure for Antares. This included establishing Syndicate 1274 at Lloyd's in 2008 and, subsequently, AMAL in 2010. Prior to this, Mr Sutlow was the CFO of Württembergische's UK operations, where his responsibilities also extended to underwriting services, IT, risk management and compliance. Mr Sutlow is an associate of the Chartered Institute of Management Accountants and a Chartered Insurer. He is also CFO of QIC Capital, the parent company of both AMAL and Qatar Re.

Mr Nanda will take up his role as CIO of the Issuer on 1 March 2017. Mr Nanda joins the Issuer from the Group where he is currently the Group CIO and Executive Vice President, a post which he has held since

2015. Mr Nanda is a qualified Chartered Accountant and holds a Bachelor's degree in Commerce from the University of Delhi. Mr Nanda has 23 years' experience in financial services, including portfolio and treasury management. Prior to joining the Group in 2003, he worked at TAIB Bank EC, an investment bank in Bahrain.

The business address of each of the members of the Issuer's senior management is 71 Pitts Bay Road, Pembroke HM 08, Bermuda. There are no potential conflicts of interest between the private interests or other duties of the senior managers listed above and their duties to the Issuer.

Management committees

The Issuer has three management committees:

- **Reserving Committee**, which assists the Chief Executive Officer in the oversight and management of technical reserves in the Issuer's financial balance sheet;
- **Executive Management Committee**, which assists the Chief Executive Officer in ensuring the effective management of the Issuer in accordance with its objectives and values; and
- **Underwriting/Portfolio Management Committee**, which assists the Chief Executive Officer in developing and setting the Issuer's underwriting policies and strategy and providing oversight of the overall portfolio.

Independent Auditors

The auditors of the Issuer are currently Deloitte & Touche (M.E.) in Qatar who have provided unqualified audit reports in respect of the financial statements of the Issuer (which are prepared in accordance with IFRS) for each of the years ended 31 December 2016 and 31 December 2015 in accordance with International Standards on Auditing. For statutory regulatory reporting in Bermuda, the auditors of the Issuer are Deloitte Bermuda. Given the appointment of Ernst and Young (Qatar Branch) as the auditors of QIC with effect from 19 February 2017, it is anticipated that the Issuer will similarly change auditors to an EY member firm for the 2017 financial period subject to approvals by the board of directors, shareholders and regulators of the Issuer.

Capital Requirements

The Issuer is required by the Bermuda Monetary Authority to hold available statutory capital and surplus of an amount that is equal to or exceeds the enhanced capital requirement ("ECR"). The ECR is the higher of the Bermuda Solvency Capital Requirement ("BSCR") and the Minimum Margin of Solvency ("MMS"). The BSCR is the standard formula defined by the Bermuda Monetary Authority and forms part of a regulatory regime that has achieved equivalence with Europe's Solvency II. The MMS is a simpler pre-Solvency II calculation that is based on statutory accounts.

The table below shows the Issuer's ECR, BSCR and MMS as well as their coverage ratios for each of 2017, 2016 and 2015 (for the period from the Issuer's authorisation in Bermuda to 31 December 2015).

	2017[(1)]	**2016**	**2015[(2)]**
		(U.S.$ million)	
MMS	468.5	434.0	—
BSCR	185.7	169.0	125.0

	2017(1)	2016	2015(2)
		(U.S.$ million)	
ECR	468.5	434.0	125.0
		(per cent.)	
Coverage ratio: MMS(3)	173	112	—
Coverage ratio: BSCR(3)	436	288	216
Coverage ratio: ECR(3)	173	112	216

Notes:

(1) The 2017 MMS, BSCR and ECR are based on internal calculations, calculated as at 31 December 2016, and will apply throughout 2017 unless there is a material change to the business plan of the Issuer or the BMA directs a revision. The 2017 coverage ratios are calculated as a ratio of the Issuer's statutory capital and surplus to the 2017 MMS, BSCR and ECR, calculated as at 31 December 2016.

(2) For the period between the Issuer's authorisation in Bermuda on 24 November 2015 and 31 December 2015.

(3) A coverage ratio is the ratio of the Issuer's statutory capital and surplus to the ECR, MMS or BSCR, as applicable. For 2015 and 2016, the coverage ratios shown are the minimum that applied in each of 2015 and 2016.

The Issuer's MMS for 2016 and 2017 would have reduced had the Issuer ceded less risk to the Guarantor in the prior year due to limitations in credit provided on an MMS basis for outwards reinsurance.

The Issuer's 2017 capital position reflects a U.S.$200 million capital injection from its shareholders in the fourth quarter of 2016.

DESCRIPTION OF THE GROUP

Overview

The Group is a Qatar-based composite insurer with a performance history spanning more than 52 years and an underwriting footprint across the Middle East and the rest of the world. The Group is the market leading insurance group in the MENA region GCC in terms of total assets, gross premiums written and net income, based on a comparison of published results of the Group and other leading regional insurance companies[1] at 30 September 2016.

QIC is the largest insurance company in the MENA region by market capitalisation (*Source: Bloomberg, 31 December 2016*). QIC was ranked first among insurance companies in Forbes Middle East's 2016 ranking of the top 100 companies in the Arab World based on four criteria: sales; profit; assets; and market value. Qatar Re was ranked as the 35th largest global reinsurer group worldwide by A.M. Best in September 2016.

The Group's insurance activities are diversified, both geographically and by product line. In 2016, domestic Qatari business represented 17 per cent. of gross written premiums, regional business (covering the other GCC countries) represented 13 per cent. and international business (covering the rest of the world) represented 70 per cent. Across all operations in 2016, motor insurance accounted for 38 per cent. of gross written premiums, property insurance and medical and life insurance each accounted for 13 per cent., marine insurance accounted for 12 per cent., credit and surety insurance accounted for 9 per cent., liability insurance accounted for 8 per cent., energy insurance accounted for 5 per cent. and agricultural insurance accounted for 2 per cent.

The Group writes:

- direct insurance in Qatar, in other GCC countries through branches in the UAE and subsidiaries in Oman and Kuwait, in Europe through QIC Europe and reinsurance in Malaysia through QLM's branch in Labuan;
- global specialty direct insurance and reinsurance through Antares, which operates under the Lloyd's of London platform and on the Lloyd's Asia platform; and
- reinsurance across a global footprint through Qatar Re, which is domiciled in Bermuda and has branch operations in Zurich, Dubai and Singapore and a representative office in London;

The Group's growth plans are led by its international business, particularly reinsurance. In 2014, following its acquisition of Antares, the Group completed a significant reorganisation of its reinsurance activities and strengthened its reinsurance underwriting teams with a view to adding additional lines of business and building a global reinsurance operation, see "*—History*" and "*—Strategy*" below.

QIC's largest shareholder is the Government, which indirectly holds 13.92 per cent. of the share capital through two pension funds. As per the Articles of Association of QIC, no other shareholder is permitted to hold more than 5 per cent. of QIC's share capital. QIC's market capitalisation was U.S.$5.6 billion at 31 December 2016, the highest among its regional peer group and more than double the next highest insurer according to Bloomberg data, and it is also one of only two rated insurers in the GCC, with a rating of "A/Stable" from Standard & Poor's and "A/Excellent" by A.M. Best.

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[1] Bupa Arabia for Cooperative Insurance, The Company for Cooperative Insurance (Tawuniya), Wafa Assurance Maroc, Qatar General Insurance and Reinsurance Company, Harel Insurance Investments and Financial Services Ltd., IDI Insurance Company Ltd., Phoenix Holdings Ltd., Migdal Insurance and Financial Holdings Ltd., and CLAL Insurance Enterprises Holdings Ltd.

In 2016, the Group's net underwriting result was QR 844 million and its net profit was QR 1,051 million. As at 31 December 2016, the Group's total assets were QR 28,715 million.

History

QIC was the first domestic insurance company in Qatar. It was established in Qatar by an Emiri Decree on 11 March 1964 with a paid up capital of 1.5 million Indian rupees. Its initial term was 25 years and it was extended by the General Assembly of shareholders for a further 25 years in May 1989 and a further 50 years, starting from March 2014. QIC's commercial registration number is 20, its address is Tamin Street, West Bay, Doha, Qatar and its telephone number is +974 44962 222. QIC's shares have been listed on the Qatar Stock Exchange since May 1997.

In 1968, the Group established a branch in Dubai, its first outside Qatar. In 1990, its annual premium income exceeded QR 100 million for the first time and in 2006 its annual premium income exceeded QR 1 billion for the first time.

The Group has expanded its international operations significantly in the last 15 years, with:

- the establishment of QIC's Abu Dhabi branch in 2002;
- the establishment of two subsidiaries primarily engaged in insurance and reinsurance, Kuwait Qatar Insurance Company (in Kuwait) and Oman Qatar Insurance Company (in Oman), in 2004;
- the establishment of QICI to manage the international direct insurance operations of the Group in 2006, comprising the branches and subsidiaries described above and a representative office in Malta;
- the establishment of Qatar Re in 2009 to manage the reinsurance operations of the Group, which are managed from Bermuda and through branches in Zurich (established in 2012), Dubai (established in 2015) and Singapore (established in 2016) and a representative office in London (established in 2012);
- the acquisition of Antares and the establishment of QIC Europe in 2014;
- a substantive reorganisation, completed in 2015, that included bringing the Group's international subsidiaries under QIC Capital, and transferring Qatar Re to Bermuda and its subsequent merger with the Bermudan registered Antares Reinsurance Limited to become a Class 4 Bermudan reinsurance company; and
- the establishment of Antares Underwriting Asia Pte Limited ("**Antares Asia**") to participate in the Lloyd's Asia platform in 2015.

The Group has also expanded the scope of its operations with the establishment of QLM in 2011 to focus on the provision of life and medical insurance.

Strategy

The Group's strategy is based around continued global expansion and diversification of capabilities and consolidating its regional leadership position. The Group's strategic planning process includes both top-down and bottom-up aspects. The strategic planning process includes key long-term strategic directions provided by the Board to the senior management. Senior management develops medium-term goals that are approved by the Board's Business, Strategy and Compensation Committee. Short-term goals include an annual bottom-up budgeting process that is reviewed and approved by senior management and the Board as well as individual subsidiary and operational goals that are reviewed and established by each department head.

Continued global expansion and diversification

Consistent with its vision of becoming a global top 50 insurance company by 2030, the Group has grown in recent years both organically and through acquisition and its ongoing expansion strategy includes (i) continuing to consider selective acquisitions in developed markets, and to explore strategic partnerships with innovative industry participants or leading non-insurance groups, in each case with a view to gaining access to new distribution platforms and geographic markets should attractive opportunities become available and (ii) continuing to exploit the significant initiatives already undertaken. These initiatives include:

- the acquisition of Antares in 2014, which gave it access to the Lloyd's of London, one of the largest insurance markets in the world. Since acquiring Antares, the Group has sought to exploit the new platform through the reorganisation of its international subsidiaries (described under "*—History*" above) which has helped the Group to significantly enhance its capital efficiency, its access to international business and to leverage synergies to facilitate further growth;
- establishing QIC Europe in 2014, which has enabled the Group to underwrite high quality direct insurance and reinsurance risks throughout the European Economic Area and further enhance its presence in Europe;
- the transfer of Qatar Re's head office to Bermuda in 2015 to take advantage of operating from the world's market leading reinsurance jurisdiction and being in a Solvency II equivalent regulatory regime;
- the opening of Antares Asia under the Lloyd's Asia platform in Singapore in 2015, which gives the Group direct access to quality insurance business from the Asia Pacific region; and
- the expansion of QLM through establishing a branch in Labuan, Malaysia.

Consolidating regional leadership position

The Group is the leading insurance provider in the GCC, see "*—Strengths—Dominant domestic and regional market positions*". The Group intends to consolidate this position through a renewed focus on providing customers with enhanced service delivery (including premium value added services), through product innovation and through claims cost optimisation (for example, by reducing the number of car repair workshops so as to extract higher volume discounts from the remaining workshops). During 2014, QIC launched the first loyalty programme by an insurance company in Qatar. During 2015, the Group delivered an online platform for purchasing or managing personal insurances to its Qatari retail customers as a key part of its enhanced regional service delivery strategy. During 2016, the platform was rolled out in Oman and the Group has also launched new products, including "pay how you drive" insurance which is the first time in the Middle East that a car insurance premium has been directly related to actual driving behaviour. The Group intends to focus on a product-based expansion across the GCC, including through an increased focus on cross-country collaboration and the use of new digital and mobile platforms under the branding "QIC-Insured" to attract retail customers. It also intends to introduce innovative solutions in the health and life insurance business through QLM in order to take advantage of the mandatory health insurance programmes which already operate in the Emirates of Abu Dhabi and Dubai in the UAE and are expected to be introduced in other GCC countries in the coming years.

The Group also intends to exploit favourable demographic conditions in the GCC region, including high population growth and predominantly young and technologically sophisticated populations, and, as the largest regional insurer, to benefit from mega projects in Qatar and the GCC and continuing softness in regional insurance and reinsurance rates.

Other strategic initiatives

Reflecting its recent expansion, the Group's current focus is on strengthening its enterprise risk management, corporate governance and compliance platforms, as well as its internal controls, which it believes will lead to more balanced growth in the future. In particular, QIC is currently implementing a consistent enterprise risk management process across the Group.

The Group also intends to continue to adopt a cautious approach to risk, including maintaining its current low levels of exposure to catastrophe risk, maintaining a disciplined approach to pricing and not seeking to increase market share at the expense of pricing.

Strengths

The Group believes that is principal strengths are:

Strong capitalisation and high levels of liquidity, which afford the Group considerable financial flexibility

As at 31 December 2016, the Group's total equity attributable to owners of the parent company amounted to QR 8.2 billion and it had high levels of liquidity, with cash and cash equivalents of QR 7.0 billion and net technical reserves (including unearned premium reserves) of QR 11.0 billion, and borrowings of only QR 4.2 billion. The Group believes that its strong capitalisation and liquidity position gives it more than sufficient capital to support its future growth plans. The Group's risk-adjusted capital position benefits from its diversified profile of insurance risks and limited catastrophe exposure, against which the Group maintains a specific reserve which stood at QR 330 million at 31 December 2016. In addition, as at 31 December 2016, QCB's solvency ratio was 182 per cent.

Dominant domestic and regional market positions

The Group is one of the largest insurers in the MENA region in terms of assets, gross premiums written and net income based, on published 2016 results, and it believes that it has a dominant position in its domestic market across both corporate and personal lines, including energy insurance in particular. The Group's strong position in the Qatari and regional markets is supported by:

- a stable and supportive shareholder base, including members of many of the leading business families in Qatar, as well as strong relationships with leading Qatari government-owned corporate groups;
- a broad and innovative range of personal line products and an experienced and skilled team of underwriters across a broad range of non-life, medical and life business lines;
- anticipated economic growth in Qatar and a pipeline of high profile Government infrastructure projects which are expected to support insurable risk growth and on which local insurers are well-placed to capitalise;
- a low penetration level in both regional and international terms, with the Swiss Re Sigma No. 3/2016 report in 2016 showing insurance penetration (determined as premiums expressed as a percentage of gross domestic product) in Qatar in 2015 at 1.54 per cent., below the GCC average of 1.72 per cent. and the average of the largest 88 countries in terms of insurance premium of 4.3 per cent.; and
- high regulatory barriers to entry in the GCC markets.

In addition, although there are no independent brand or customer surveys to illustrate the point, the Group believes that it benefits from high brand recognition resulting from its more than 50-year history in Qatar and that it has established a strong reputation for both service quality and claims settlement.

Strong business and geographic diversification

In addition to its dominant domestic market position, the Group has been diversifying its insurance activities in recent years with the percentage of gross premiums written attributable to Qatar falling from 46 per cent. in 2011 to 17 per cent. in 2016. In 2016, the rest of the GCC accounted for 13 per cent. of the Group's gross written premiums and its other international activities, principally conducted through Qatar Re and Antares, accounted for 70 per cent. of gross written premiums. The Group is well diversified by business line, underwriting all major lines of insurance. The Group also generates strong levels of investment income.

Specialised underwriting teams, strong distribution capabilities and long-standing relationships

In its international business, the Group benefits from highly-skilled and specialised underwriting teams which, the Group believes, help it to occupy leadership positions in complex, large-scale energy and engineering insurance risks as well as in other lines, such as crop insurance.

The Group also benefits from strong distribution capabilities, which are based on long-standing relationships with leading insurance and reinsurance brokers, its branch network and its innovative digital platform for personal lines of business in its regional market.

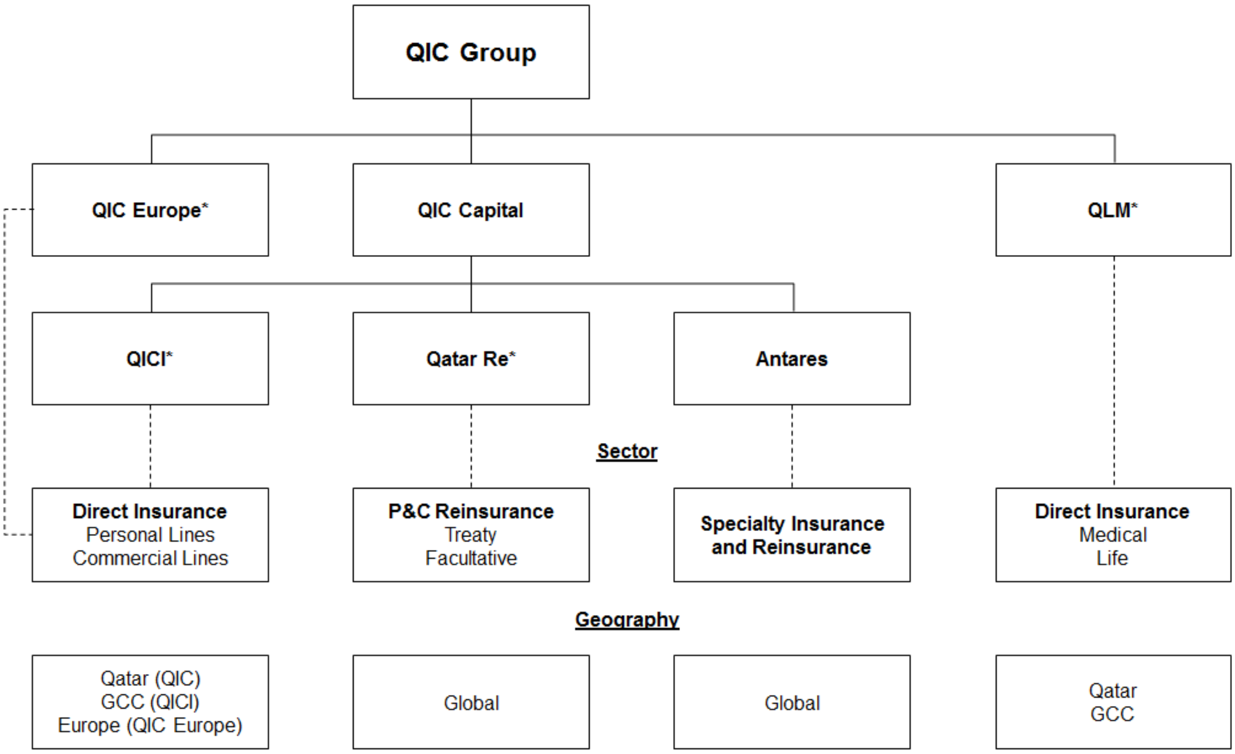
Through Antares, the Group has access to one of the world's largest insurance marketplaces, Lloyd's of London, and, in Qatar Re, the Group is one of the world's 50 leading global reinsurance companies, according to A.M. Best.

Capable and experienced management team

The Group has a capable and experienced Board and executive management team, a number of whom, including the Group President and CEO, the Group Senior Deputy CEO and the Group CEO – International Operations, have been with the Group since 1986. The Group's management has overseen a period of strong organic expansion in its international activities and through the acquisition of Antares. Management has also been successful in growing divisions into profitable subsidiaries, as was the case with each of Qatar Re, QLM and QICI, and the Group has a demonstrated ability to hire key management from leading international insurers and reinsurers. The Group's management team has also been responsible for making significant investments in the Group's risk management framework to support its growth and further investments are anticipated in future years as the Group continues to grow.

Group Business Structure

The chart below summarises the business structure of the Group by principal operating company, sector and geography covered.



* Backed by an unconditional guarantee from QIC in favour of policyholders and senior creditors.

Business

Overview

The Group operates through six reporting segments which correspond to its insurance business (three operating segments: marine and aviation; property and casualty, and health and life) and investments, each of which is described further below, and two further segments (advisory and real estate) which only make small contributions to the Group's total income as shown in the table below.

The table below shows the proportion of net earned premiums and net underwriting result attributable to each of the three insurance reporting segments and the proportion of total income attributable to each of the Group's six reporting segments for each of 2016 and 2015.

	Marine and aviation	Property and casualty	Health and life	Real estate	Advisory	Investments	Other insurance income	Total
				(%)				
2016								
Net earned premium...........	9.5	76.3	14.2					100.0
Net underwriting result	14.0	74.0	11.2				0.8	100.0
Total income.....................	**6.7**	**35.6**	**5.4**	**2.3**	**2.9**	**46.6**	**0.5**	**100.0**
2015								
Net earned premium...........	12.2	74.4	13.4					100.0
Net underwriting result	15.1	75.0	8.8				1.1	100.0
Total income.....................	**7.7**	**38.4**	**4.5**	**2.5**	**6.8**	**39.5**	**0.6**	**100.0**

Insurance

Overview

The Group's insurance activities comprise both direct insurance and reinsurance.

Direct personal and commercial insurance is offered by QIC in Qatar, through QICI and its subsidiaries and branches in the UAE, Kuwait and Oman and through QIC Europe in European markets. The Group's principal direct insurance customers vary by line of insurance offered and comprise:

- GCC government and government-related entities, which are the major customers for property, energy and engineering insurance;
- major corporates in the GCC, to which the Group principally sells marine and aviation, commercial property and casualty and group life and health insurance;
- small and medium-sized enterprises in the GCC and in Europe, to which it principally sells a broad range of property and casualty insurance products; and
- individual retail customers in the GCC and in Europe, to whom it sells all categories of personal insurance described below.

The Group is driving growth in its direct insurance business by increasing its product lines, enhancing its personal line offerings and moving towards digital and online distribution platforms within its existing markets.

The Group offers specialty insurance through Antares, which provides the Group with access to Lloyd's through Syndicate 1274 and Antares' own integrated managing agency which includes a team of 55 specialist underwriters. Antares engages in underwriting property and casualty and marine and aviation insurance internationally. It provides aviation, marine cargo and specie, marine hull, marine excess of loss, property excess of loss and professional indemnity underwriting. Antares also underwrites a diverse book of business that provides bankers' blanket bond, computer crime, professional indemnity and directors' and officers' liability for a range of financial institutions, including banks, stockbrokers and fund managers, as well as offering claims services.

The Group's reinsurance operations are principally conducted through Qatar Re, which is backed by an unconditional guarantee from QIC in favour of policyholders and senior creditors and therefore has the same ratings as QIC. The Group also offers specialty reinsurance through Antares and QIC Europe. The Group's reinsurance customers are other insurance companies. Bearing in mind the credit risk which the Group assumes on reinsurance which it cedes, the Group typically works with clients with whom it has long-standing relationships, and it also carefully selects its reinsurance customers based on criteria which vary according to the nature of the reinsurance business concerned. These criteria include:

Selection criteria related to the subscription-based market (for example, XL placements)

- financial robustness and stability;
- operational success;
- product know-how;
- technical capabilities; and
- quality of information (including transparency and granularity of data).

Selection criteria for pro rata capacity provision

- privileged access to niche business lines;
- superior knowledge and understanding of pricing;
- access to leading technologies or efficiencies in distribution; and
- enhanced controls over claims management.

Selection criteria for specialty insurance lines such as agriculture, engineering, electronics and credit surety

- recognition of the Group's privileged knowledge in these business lines;
- ability to convince clients to amend or redevelop specialty insurance products; and
- ability to work closely with clients in advisory and consultative capacities.

In terms of gross written premiums, the Group's principal insurance and reinsurance classes are motor insurance (which comprised 38 per cent. of 2016 gross written premiums), property insurance and medical and life insurance (13 per cent. each), marine insurance (12 per cent.), credit and surety insurance (9 per cent.), liability insurance (8 per cent.), energy insurance (5 per cent.) and agricultural insurance (2 per cent.).

On a geographic basis, 70 per cent. of the Group's 2016 gross written premiums for both insurance and reinsurance was derived from its international operations, 17 per cent. was from insurance written in Qatar and 13 per cent. was from insurance written elsewhere in the GCC.

Property and casualty reporting segment

The Group's property and casualty reporting segment comprises a wide range of direct commercial and personal classes of insurance as well as a wide range of reinsurance lines offered through Qatar Re and, to a limited extent, Antares.

The insurance product lines included within the reporting segment are:

- personal **motor** and commercial **motor fleet** insurance, including both comprehensive and third party, fire and theft only insurance together with a range of optional covers, which is offered both directly and as reinsurance by Qatar Re;
- **property and commercial**, comprising property, engineering, liability, workmen's compensation and general accident insurance, which are offered both directly and as reinsurance;
- personal **home insurance**, covering a range of risks, including loss or damage to the building, loss or damage to contents, personal injury, personal liability and alternative accommodation costs;
- **energy** insurance, comprising a range of local admitted commercial insurances, which are offered both directly and as reinsurance by Qatar Re;
- personal **travel insurance**, covering a wide range of risks including cancellation, delayed or missed departure, medical expenses, worldwide medical emergency assistance, loss of baggage, legal expenses overseas, travel accidents and personal liability; and
- **political and financial risk** insurance and **terrorism** insurance, which are offered through Antares, and **agricultural** treaty reinsurance, **credit and surety** treaty reinsurance and **non-marine** facultative reinsurance, which are all offered by Qatar Re.

Motor and motor fleet

The Group's direct motor insurance policies provide cover for personal cars and motorcycles as well as a wide range of business vehicles, including taxi fleets, company fleets, minibus fleets, rent-a-car services, courier van fleets and trucks, haulage and other heavy goods vehicle fleets.

The Group offers a choice of comprehensive cover and third party, fire and theft only cover along with a range of optional extra covers, including:

- personal accident cover, which covers the insured driver and any passengers in case of accident: a more limited version of this cover is included as standard in the comprehensive cover package;
- roadside assistance in Qatar only or throughout the GCC, which includes towing services, mechanical assistance, and flat tyre, lock-out, fuel and battery services;
- agency repair - after the first year of insurance, the Group can choose the vehicle repair workshop and this option allows the insured to ensure that his vehicle is always repaired at his agency;
- depreciation of spare parts - under Qatari law vehicle owners must pay as an additional cost a certain percentage of the cost of any spare parts used in the repair and this insurance protects the insured against this extra repair charge;
- off-road cover, which covers the insured for any accidents happening on non-paved roads; and
- gap cover, which is available to personal insureds only and covers the difference between any insurance payment received on a write-off of the vehicle and the amount owed by the insured under any loan taken to finance the purchase of the vehicle.

Through Qatar Re, the Group offers a significant participation in motor excess of loss programmes and for liability treaty business. It offers lead participations in the UK and Irish markets and mainly support lines elsewhere. In the liability classes, it focuses on public liability and employers' liability business worldwide, with the exception of risks located in the United States. Qatar Re also offers substantial pro rata capacity to selected UK and European motor insurance clients who demonstrate a sustained record of profitability and an ability to identify and respond to market strains. Qatar Re aims to establish long-term relationships where possible, providing solutions tailored to its clients' needs. Profit-sharing, to enable a complete alignment of interests, is an important element in its product design.

Property and commercial

The Group's direct property insurance products include property all risks insurance (which covers business assets for physical loss or damage, including that caused accidentally) and business interruption insurance (which can only be taken in conjunction with property all risks cover and covers loss of revenue or gross profit following accidental damage to property that is covered by a property all risks policy). Through Antares, the Group also offers direct commercial and personal property insurance on a global basis, including commercial general liability cover in the United States, in the open market and on a temporary, or binder, basis. Through Qatar Re and Antares, the Group also offers two classes of property treaty reinsurance: property catastrophe and property risk on both an XL and pro rata basis. Qatar Re also offers both proportional and non-proportional facultative cover for all types of industrial risk.

The Group's direct engineering insurance products include contractors/erection all risks insurance (which covers construction and erection works against sudden and unforeseen physical loss or damage as well as third party liability, being the insured's liability to a third party for death, bodily injury or property damage caused by an accident at the contract site) and plant and equipment insurance (which covers plant and machinery, including cranes and other construction equipment, against any sudden and unforeseen physical

loss or damage). Through Qatar Re, the Group also offers proportional and non-proportional engineering treaty reinsurance capacity on a loss occurring and risks attaching basis, covering the full range of engineering risks. Qatar Re also provides proportional and XL facultative reinsurance capacity for offshore energy projects.

The Group's liability insurance products include general third party liability insurance (which offers indemnity for sums which the insured is legally liable to pay as damages resulting from accidental death or bodily injury to any third party or accidental damage to third party property occurring in connection with the insured's business during the policy period), professional indemnity insurance (which offers indemnity for sums which the insured is legally liable to pay as damages arising from claims made against the insured during the policy period in respect of negligence in the conduct of his professional practice) and directors and officers liability insurance (which covers the personal liability of directors and officers of a company resulting from their wrongful acts while working with the company).

The Group's workmen's compensation insurance covers employees in respect of work-related accidents and occupational diseases in accordance with the requirements of Qatar's labour laws which require that all employees are covered under the policy. The policy can also be extended to include Shari'a-related liability.

The Group's general accident insurance products include:

- money insurance, which covers money against loss, destruction or damage whilst being kept in a safe or strong room. The policy also covers money in transit under the custody of the insured's employees;
- fidelity guarantee insurance, which covers loss directly sustained by the insured resulting from forgery or embezzlement, larceny or fraudulent conversion of money or goods belonging to the insured by its employees;
- personal accident insurance, which covers the insured's employees on a 24-hour basis against death or bodily injury resulting from an accident anywhere in the world;
- bankers' blanket insurance, which is a policy designed for financial institutions and offers a range of cover, including infidelity by employees, loss of cash in premises and while in transit and loss by forgery and counterfeit currency; and
- jewellers' block insurance, which is a policy designed for jewellers and covers loss of merchandise in premises and while in transit.

Through Antares, the Group also provides bankers' blanket bond, computer crime, professional indemnity and directors' and officers' liability insurance on both a direct and facultative reinsurance basis for a wide range of financial institutions around the world.

Home insurance

The Group's home insurance is a personal insurance that covers the insured in the event that his home becomes uninhabitable as a result of fire, flood or other insured cause. It also covers the insured contents against loss or accidental damage whether in or, in the case of specified valuables, outside the home. The Group's home insurance can also cover loss or damage to the belongings of household servants or injury caused to them while working, a tenant's liability to his landlord and damage caused to a visitor's belongings.

Energy

The Group offers its commercial customers locally admitted direct energy insurance, including a master programme covering various aspects of onshore and offshore operations as well as all risks policies covering engineering, procurement and construction (EPC) projects and downstream energy and petrochemical projects. In addition, liability insurance, sabotage and terrorism insurance and drilling rig insurance is also

offered. Through Antares, the Group offers a mix of direct insurance and reinsurance in relation to offshore energy risks on a worldwide basis, with a primary focus on exploration and production activities. Product lines written include physical damage, control of well, loss of production income, third party liabilities and coverage for construction projects. Through Qatar Re, the Group also offers proportional and XL for onshore and offshore energy risks on a global basis, excluding domestic United States and Canadian business. In the onshore segment, risk solutions are provided for large operational oil refineries, petrochemical plants and fertiliser manufacturing plants. On the offshore side, Qatar Re insures operational risks, including for offshore platforms and pipelines. Qatar Re also covers all classes of oil and gas exploration and development, both on a facultative as well as on a treaty basis. On the upstream side, Qatar Re writes a global book of offshore operational risks. On the downstream side, its coverage encompasses machinery breakdown and business interruption for oil refineries, petrochemical plants, gas plants, fertilizer manufacturing plants and pipelines, including oil and gas storage. As part of its diversification strategy, it also writes a full range of chemical products (except pharmaceuticals) alongside petrochemicals.

Travel insurance

The Group's travel insurance is a personal insurance that covers the insured against lost or damaged baggage, travel cancellation or interruption for reasons beyond the insured's control and medical and other expenses caused by accidents or illness.

Other insurance and reinsurance lines

Through Antares, the Group also offers:

- political and financial risk direct insurance to financial institutions, commodity traders, manufacturers, lessors, investors, contractors, multilateral institutions and export credit agencies. Political risk insurance insures assets (fixed, mobile and leased) against governmental expropriation. Coverage extensions include war, terrorism, physical damage and breach of contract. Financial risk insurance covers non-performance under contracts, usually for the sale or purchase of goods or services, including non-payment of sums; and
- terrorism insurance and reinsurance in a broad range of territories covering diverse assets. The majority of the risks in the portfolio cover terrorism and sabotage perils. In addition, cover against strikes, riots, civil commotion and political violence is also offered. Risks are written on a full value, first loss and excess of loss basis.

Through Qatar Re, the Group also offers:

- both traditional agricultural reinsurance as well as indemnity- and index-based products. Classes covered include crop-hail, multi-peril, forestry, greenhouse, livestock, aquaculture and bloodstock contracts worldwide; and
- proportional and non-proportional reinsurance coverage for trade credit, traditional surety and political risk on a worldwide basis primarily for professional, specialised clients and for multiline insurers underwriting these lines of business. It also provides facultative support.

Marine and aviation reporting segment

The Group's marine and aviation reporting segment provides a range of marine and aviation insurance and reinsurance lines, including marine hull and machinery, marine liability, yacht, general aviation, airline, satellite and cargo.

The Group's direct marine hull departments insure blue water vessels (container ships, tankers and other commercial ocean-going ships), brown water vessels (such as barges, tugs, pilot boats, supply and other

vessels), and yachts and other recreational vessels. The cover offered includes war and terrorism risks, kidnap and ransom, loss of hire, mortgagees' interests, shipbuilding risks, ship repairers' liability and other marine liabilities. The Group's territorial scope for its marine hull and machinery insurance includes the GCC countries, Algeria, Djibouti, Egypt, North Sudan, Iraq, Jordan, Lebanon, Libya, Mauritania, Morocco, the Palestinian territories, Tunisia and Yemen, excluding sanctioned areas.

In addition to marine hull and machinery insurance, the Group also offers:

- direct marine liability insurance covering stevedores, marina operators, ship repairers, passenger and crew liabilities, charterers liabilities, social responsibility and protection and indemnity; and
- direct yacht insurance, which is also offered to personal customers, covering hull and machinery, third party liability, agreed value, medical payments, uninsured boaters, search and rescue services, towing and assistance and tender/dinghy, which can be customised to meet additional specific needs of mega yacht owners.

The Group is one of the leading providers of aviation insurance in the GCC region. It offers a comprehensive range of coverage options for both personal and corporate aircraft as well as general liability for ground operations. Its territorial scope covers the GCC. The Group's general aviation insurance covers aircraft hull and liability, hangar keepers and premises liability, crew personal accident and crew loss of licence. In addition, it offers airline fleet insurance (hull and liability insurance for both cargo and passenger operations), airport operators liability insurance, product liability insurance and airside liability insurance.

The Group insures sea, air and land cargoes from any origin and its policies are designed to cover risks across various regions, including high risk regions, for which the Group provides tailored policies. The Group insures all kinds of cargoes, including project cargo, bulk cargo, sensitive and valuable cargoes, petroleum products and liquid natural and petroleum gas cargoes. The risks covered include damage caused by fire, theft, breakage, drowning and accident. The Group also offers freight forwarders liability insurance.

In relation to reinsurance, the Group focuses on the general aviation, satellites and marine major risks customer segments. It minimises its exposure to major airline risks. The reinsurance is written on a pro rata and excess of loss basis. The Group writes some marine retrocession business where it is able to do so. Satellite reinsurance is often written by managing general agents in pool arrangements, and the Group plans to support some of these agents as a means to diversify its reinsurance portfolio further.

Qatar Re is not currently active in proportional reinsurance relating to cargo, fine art and specie, major risks marine hull, major risks airline and marine liability business, although Antares does conduct some of these businesses.

Qatar Re's portfolio is 88 per cent. proportional and 12 per cent. non-proportional treaty and includes the following lines of reinsurance treaty business:

- Marine – hull, cargo and liability reinsurance;
- Aviation – hull, spares and liability reinsurance;
- Space – launch, post-separation and in-orbit risk reinsurance; and
- Offshore Energy – physical damage, business interruption and liability reinsurance.

Health and life reporting segment

The Group's health and life reporting segment comprises the activities of QLM, which offers a range of group and individual health and life insurance policies in the region and from its Labuan branch in Malaysia. It also provides facultative reinsurance to GCC and Malaysian medical insurance companies.

The Group's life insurance products include group life insurance and credit life insurance.

Group life insurance covers the life or life and health of the insured and his or her immediate family members. This insurance is addressed mainly to employees who may join through insurance agreements between their employer and QLM. Group life insurance may cover many insureds under one agreement. The premium is flat, regardless of the age and sex of the insured (provided that the amount insured and the benefits are equal as well). Persons who decide to join the insurance programme are not subject to any medical examinations.

The group life insurance offered by the Group includes lump sum benefits payable following death by natural causes or accident as well as permanent total or partial disability caused by illness or accident, depending on the options selected. The cover may also provide weekly payments in the event of temporary total disability due to accident or sickness and a lump sum benefit in the event of a specified critical illness.

The credit life insurance offered by the Group covers outstanding loans entered into by the insured in the event that the insured is unable to pay the loan due to death or disability. The beneficiary under this insurance is the creditor and not the insured.

The Group also offers group health insurance in three categories, each with a different area of cover:

- ***Classic***, which covers Qatar only;
- ***Advantage***, which covers the GCC, the Indian subcontinent, Arab countries, the Middle East and South East Asia; and
- ***Premier***, which covers the world except the United States and Canada (although these countries can be included subject to certain conditions).

In all cases, the cover provides a wide range of both in-patient and out-patient benefits, and additional optional benefits are also available.

Distribution channels

Direct insurance

Within Qatar and the regional market, the Group's direct insurance distribution is based on the following channels:

- direct sales through the Group's branches and local offices;
- partnerships, which it classifies as strategic (for example, QIC has a strategic partnership with a leading Asian insurance company in the area of digital travel insurance through the B2B and B2C channels and a strategic partnership with a bank in Qatar to jointly sell insurance products to its banking customers) and affinity (for example, Group companies have affinity partnerships with automobile dealerships in Qatar and elsewhere in the GCC to sell motor insurance policies to their customer bases);
- brokers, which principally intermediate business with corporate clients; and
- online channels, including both its own platform and third party aggregation sites.

Internationally, QIC Europe typically enters into agreements with leading managing general agents, as well as leading insurance and reinsurance intermediaries, to market its products. The Group's direct sales in Qatar make a significant contribution to its net underwriting result as the Group does not pay broker commissions on these sales. See "*Financial Review—Reporting Segments*".

Reinsurance

The Group markets the reinsurance products offered by Qatar Re and Antares on a worldwide basis and those offered by QIC Europe on an EEA basis. While Qatar Re relies on its strong credit ratings from S&P and A.M. Best, the Group's reinsurance marketing and business access strategy is underpinned by the following differentiating characteristics:

- *long-standing relationships with brokers and cedents*: the Group's reinsurance underwriters have extensive experience in the insurance and reinsurance industry, which exceeds 20 years on average for senior underwriters;
- *skilled underwriting teams*: the Group's reinsurance underwriters have strong technical skills and educational backgrounds in scientific and engineering streams. The team is cross-cultural and linguistic and has the ability to deal with its client counterparts in their native languages;
- *time zone proximity to clients*: with offices in Bermuda, Zurich, London, Dubai and Singapore, Qatar Re has the ability to reach 99.9 per cent. of its clients during their respective work hours; and
- *ease of doing business*: the Group's underwriting team is empowered with decision-making ability. The Group does not have a complex internal broking-type structure for underwriting reinsurance, and the underwriters, who are the producers of the business, also serve as sellers and marketers.

Approximately 88 per cent. of Qatar Re's reinsurance business is placed through global and/or specialist brokers, depending on the product lines, with the balance being arranged directly with clients. Qatar Re's principal brokers include Gallagher/Capsicum, AON Benfield, Willis, JLT Re and Guy Carpenter. Antares works through a diversified group of intermediaries in accordance with normal Lloyd's marker practice. Direct reinsurance relationships generally lead to the sharing of technical expertise between the Group and the ceding company and tend to be stable and long-term. Reinsurance written through brokers tends to dominate in the London market and, in particular, lines such as marine risks, large non-life facultative risks and business with large non-life corporate clients.

The Group has a well-developed reinsurance client base and is not dependant on any single client, group of clients or line of business.

Underwriting and pricing

The Group has underwriting specialists throughout its organisation, covering a wide range of disciplines that it requires to assess the risks that it insures and reinsures.

The Group's technical expertise provides it with the ability to identify, evaluate and understand risks, including catastrophe risks, relying principally on its own internal resources. As a result, the Group uses external consultants only in limited circumstances, generally as part of its review of the results obtained from its models.

Group units carry out underwriting functions according to internal guidelines established at the Group level as well as at an operating business level, which set forth limits for coverage and procedures for risk assessment, pricing and acceptance levels. The quality of risks, past experience and future exposure are the main criteria in determining price levels as well as available capacity. The Group limits its capacity on a per claim, per retention in the event of claims inflation.

In developing underwriting guidelines and monitoring risk, the Board approves general principles for the Group's risk tolerance and overall capacity allocation. The overall objective is to achieve an appropriate return for the risk taken while safeguarding the Group's solvency and creditworthiness. In particular, the Group seeks to maintain a sufficient level of capital that allows it to maintain the highest financial strength

ratings under normal circumstances and a strong investment-grade rating in the event of a loss so significant that its probability of occurring is once in one hundred years.

Underwriting volatility across the Group is mitigated through diversification, both geographically and between different classes of business. Underwriting risk is additionally controlled through the purchase of extensive reinsurance programmes by the Group's GCC operations and also by Antares. Qatar Re also mitigates its underwriting risk through tactical reinsurance purchases and by writing less capital intensive lines of business, such as proportional reinsurance of UK motor portfolios.

The Group's pricing takes into account management expenses as well as anticipated investment returns. Pricing procedures differ according to the product insured and the type of reinsurance (treaty or facultative, proportional or non-proportional). The Group maintains a risk reporting and assessment function, which monitors and controls the amount and concentration of risk underwritten. The Group believes that success in underwriting is based on expeditiously incorporating lessons learned from incurred claims. For this reason, the Group emphasises a strong cooperation between its underwriting and claims management areas.

For non-life business, typically one reinsurer acts as the "lead" in negotiating principal reinsurance terms and pricing of reinsurance contracts. The Group believes that its strong capital base, underwriting experience and willingness to provide substantial capacity on a direct basis provides it with opportunities to take a lead role in underwriting reinsurance contracts. The Group believes that being a lead underwriter is an important factor in achieving long-term success in the reinsurance market. Lead underwriters have greater influence in negotiation of reinsurance terms, attachment points and premium rates than following reinsurers. Reinsurers that lead treaties have greater access to preferred business and are better able to develop long-term relationships with their clients. For life and health business, typically a reinsurer assumes the entire obligation or acts as a co-reinsurer with no reinsurer acting as lead underwriter.

Reserves

Significant periods of time may elapse between the occurrence of an insured loss giving rise to a claim, the reporting of the claim to the ceding company and the reinsurer and the ceding company's payment of that claim and subsequent payments to the ceding company from the reinsurer. To recognise liabilities for unpaid claims, claim adjustment expenses and future policy benefits, insurers and reinsurers establish reserves, which are balance sheet liabilities representing estimates of future amounts needed to pay reported and not yet reported claims and related expenses arising from insured losses that have already occurred.

Reserves are estimates that involve actuarial and statistical projections of the expected cost of the ultimate settlement and administration of claims. These estimates are based on facts and circumstances then known, predictions of future developments, estimates of future trends in claims frequency and severity and other variable factors such as inflation and new bases of liability. For some types of claims, it has been necessary, and may over time continue to be necessary, to revise estimated potential claims exposure and, therefore, the related claims reserves. Consequently, actual claims, benefits and related expenses ultimately paid may differ from estimates reflected in the reserves in the Financial Statements.

The Group typically establishes case reserves for the estimated amount of the ultimate payment for a reported claim under a direct insurance policy ceded by the Group based on the Group's reserving practices and the experience and knowledge of its personnel regarding the nature and value of the specific types of claims.

The Group's case reserves under proportional reinsurance are generally established using reports and individual case estimates received from ceding companies. In the case of facultative and non-proportional reinsurance business, the Group generally evaluates the ceding company's reserves based on an independent evaluation by the underwriter, supported by the claims specialists, taking into consideration coverage, liability, severity of injury or damage, jurisdiction, an assessment of the ceding company's ability to evaluate

and handle the claims and the amount of reserves recommended by the ceding company. If the Group determines that the reserves established by the ceding company may be insufficient to cover the ultimate cost of particular claims, additional case reserves are established either per treaty or per facultative acceptance.

The Group also establishes global claims reserves for IBNR claims, which include provisions for the development of aggregate case reserves otherwise known as incurred but not enough reported ("**IBNER**") in the future. These reserves are established to provide for payments for incurred claims that have not yet been reported to an insurer or reinsurer. In calculating its IBNR reserves, the Group generally uses accepted actuarial reserving techniques that take into account quantitative loss experience data, together with, where appropriate, qualitative factors. IBNR reserves are based on claims experience and are grouped both by line of business and by accident year. IBNR reserves are also adjusted to take into account such factors as changes in the volume of business written, contract terms and conditions, the mix of business, claims processing and inflation that can be expected to affect its liability for claims over time.

Claims management

Direct insurance

The Group's claims department has a skilled and dedicated team whose members possess a collective claims handling experience of over 200 years. The team includes professionally qualified claims adjusters who have extensive experience of dealing with international loss adjusters in respect of major loss events. The Group's claims team members are able to manage claims of all levels of complexity, from routine motor and workmen's compensation to highly complex engineering and energy insurance claims. The claims team endeavours to provide superior customer service to its insureds by providing well-reasoned claim decisions and settlements on a timely basis.

Reinsurance

The Group normally settles individually notified reinsurance claims on the basis of the notification provided by the ceding company after verification that reinsurance coverage formally adjusts. In addition, the Group routinely conducts an investigation when a life insurance claim is made within the first two years that the policy is in effect. The Group's technical accounting and claims operations personnel administer and selectively manage individual claims reported to it. In addition to administering reported claims and conferring with ceding companies on claim matters, the Group's claims personnel conduct reviews of claims experience with its ceding companies as well as audits of specific claims and the claims procedures in general at the offices of ceding companies. The Group attempts to monitor whether the ceding company uses proper adjusting techniques, reserves properly, has sufficient staff and follows proper claims processing procedures. The Group has approximately 160 professionals worldwide engaged in reinsurance claims handling.

Retrocession

Some reinsurers purchase reinsurance to cover their own risk exposure. The purchase of reinsurance by reinsurers is referred to as retrocession. These reinsurance companies cede risks under retrocessional agreements for reasons similar to those that cause insurers to purchase reinsurance, namely to reduce net liability on individual risks, to protect against catastrophic claims, to stabilise financial ratios and to obtain additional underwriting capacity. Qatar Re's policy is generally to refrain from retroceding to third parties, although it does do so to manage portfolio volatility and in certain other circumstances.

Investments

The Group maintains a portfolio of investment securities which principally comprises fixed income and equity securities held on an available for sale basis. The portfolio provides the Group with a significant source of income, both from dividends and interest received and from net gains made on the sale of the securities.

For a breakdown of the Group's investment portfolio as at 31 December in each of 2016, 2015 and 2014, see "*Financial Review—Certain Statement of Financial Position items—Assets—Investments*".

The Group's investment strategy is to:

- generate regular and stable income from its investments;
- provide a dynamic asset allocation framework that meets the current and future demands of its business;
- invest with a value-driven philosophy where every investment is researched and reviewed prior to execution;
- manage the investment portfolio keeping in mind the type and duration of the insurance liabilities; and
- manage regulatory constraints through keeping the underlying business and its regulatory framework in mind.

The Group's available for sale securities comprise a diversified portfolio of fixed income securities, equity investments in listed Qatari companies and equity securities quoted on international markets. The Group uses its fixed income securities as collateral for short-term loans, see "*Financial Review—Liquidity and Funding—Margin collateral*". The Group's available for sale securities also include a portfolio of unquoted equity securities and private equity investments. The unquoted equity securities represent the Group's minority ownerships in diversified businesses, primarily in the GCC. The private equity portfolio represents investments made with reputable managers in diversified businesses around the world.

The Group's held for trading investments comprise bonds and managed funds. A significant part of the held for trading investments are represented by investments held as premium trust funds in accordance with Lloyd's of London guidelines for Antares Syndicate 1274. These funds are managed by external asset managers. In addition to the premium trust funds, the Group also has some investments in externally managed mutual funds.

As at 31 December 2016, 25.1 per cent. of the Group's investment portfolio comprised held for trading investments and 74.9 per cent. comprised available for sale investments. All of the Group's held for trading investments are fair valued using level 1 or level 2 inputs, which means that they are either quoted on an active market (level 1) or not quoted on active markets but are valued on the basis of inputs that are observable either directly (as prices) or indirectly (derived from prices) (level 2). As at 31 December 2016, 93.7 per cent. of the Group's available for sale investment portfolio was fair valued using level 1 inputs and the balance was fair valued using level 3 inputs. The level 3 inputs were used for the Group's portfolio of unquoted shares and private equity investments.

The table below shows the industry and currency mix of the Group's portfolio of equity securities as at 31 December in each of 2016, 2015 and 2014.

	As at 31 December		
	2016	**2015**	**2014**
Industry		*(%)*	
Financial	51	54	57
Industrial	10	9	10
Utilities	11	8	7

	As at 31 December		
	2016	2015	2014
Industry		(%)	
Basic materials	11	10	11
Consumer, cyclical	5	6	4
Energy	4	5	2
Consumer, non-cyclical	3	3	4
Communications	4	3	3
Diversified	1	2	2
Total	**100.0**	**100.0**	**100.0**
Currency			
Qatari riyal	89	82	87
Saudi Arabian riyal	4	6	9
Omani riyal	4	3	0
UAE dirham	1	2	4
Kuwaiti dinar	2	1	0
U.S. dollar	0	6	0
Total	**100.0**	**100.0**	**100.0**

The table below shows the rating split, geographic mix and sector mix of the Group's portfolio of fixed income securities as at 31 December in each of 2016, 2015 and 2014.

	As at 31 December		
	2016	2015	2014
		(%)	
Rating			
Rated A- or equivalent and above	71	70	68
Rated BBB- to BBB+ or equivalent	24	26	20
Rated below BBB- or equivalent	2	2	10
Not rated	3	2	2
Total	**100.0**	**100.0**	**100.0**
Geography			
Middle East excluding Qatar	29	33	26
Qatar	27	36	27
Asia	10	13	15
Europe	18	13	26

	As at 31 December		
	2016	2015	2014
		(%)	
North America	12	1	1
Africa	1	4	3
Latin America	0	2	1
Australia	3	0	1
Total	**100.0**	**100.0**	**100.0**
Sector			
Financial	54	58	64
Government	23	16	21
Communications	4	7	2
Energy	2	6	6
Utilities	5	5	3
Consumer, non-cyclical	0	2	0
Basic materials	3	2	1
Other	9	4	3
Total	**100.0**	**100.0**	**100.0**

In addition to its portfolio of investment securities, the Group also retains significant cash and cash equivalent balances which it principally invests in term deposits with a maturity of less than six months. The Group's term deposits are split among 15 banks in six countries and the Group requires that any bank with which it makes a term deposit should have a rating equal to at least BBB- by S&P or Fitch or Baa3 by Moody's.

Competition

In 2016, 16.8 per cent. of the Group's gross premium and 25.5 per cent. of its net underwriting result was attributed to its operations in Qatar. In 2015 the percentages were 17.2 per cent and 27.8 per cent., respectively, and, in 2014, the percentages were 24.1 per cent. and 34.8 per cent., respectively. The Group's principal international operations currently comprise Qatar Re, Antares, QIC branches in the UAE and insurance subsidiaries in each of Kuwait, Oman and Malta.

Within Qatar and the other GCC markets in which it has a presence, the Group principally competes with other major global, national and regional insurance groups in both the corporate and personal direct insurance markets. Competition in these markets in relation to personal insurance, where customers focus on quality of offerings and value for money, is intense. The Group seeks to compete in the personal insurance market by providing a broad range of innovative products through both conventional distribution channels and digital platforms. The Group seeks to further differentiate its personal line business by offering an exceptional quality of service and timely settlement of valid customer claims. The Group is among a select group of insurers in the GCC which offer online claims management. The corporate insurance market is less price sensitive and the Group's competitive strategy in this market is driven by:

- its long-standing customer relationships;
- its financial strength and stability, and 'A' ratings from both S&P and A.M. Best, which provide it with access to select, high value risks, which are less price sensitive;
- its skilled underwriting team which has the ability to underwrite complex risks, including energy and engineering risks;
- its reputation for timely settlement of valid claims; and
- its strong relationships with a diverse set of leading global and regional insurance intermediaries.

In other international markets, the Group principally competes with major international insurance and reinsurance groups. The Group's competitive strategy in these markets includes:

- emphasising its financial strength and stability and leveraging its 'A' ratings from both S&P and A.M. Best;
- maintaining a strong presence in leading international insurance and reinsurance jurisdictions, including, Bermuda, London, Zurich, Singapore, Dubai and Malta;
- establishing new platforms, such as QIC Europe, Antares Asia and others, to increase its geographic footprint, broaden and diversify its client base and enhance its access to risks;
- retaining an experienced and reputed team of underwriters, along with recognised industry leaders in lines such as agriculture insurance, which undertake careful risk selection following detailed reviews and actuarial analysis;
- providing exceptional levels of service and responsiveness, both in relation to underwriting and claims settlement;
- cultivating long-standing client relationships, with renewals reflecting more than half Antares' business and QIC Europe's business model being underpinned by exclusive or preferential relationships with leading managing general agencies;
- sourcing business from innovative and specialised managing general agency platforms across the world and focusing on insuring specialty and niche risks which are subject to lower levels of price competition;
- optimising its resources, platforms and capital allocation; and
- participating in innovative ventures, which seek to introduce disruptive technologies and business models in the global insurance industry.

Regulation

The Group is regulated in all the markets in which it has a presence. In Qatar, its principal regulator is the QCB.

Its international regulators comprise:

- the Prudential Regulation Authority, Financial Conduct Authority and Lloyd's in the United Kingdom, which principally regulate Antares;
- the Monetary Authority of Singapore, which regulates the Antares Asia platform;

- Qatar Financial Centre Regulatory Authority, which regulates QLM and QICI;
- the Dubai Financial Services Authority, which regulates Qatar Re's branch in the Dubai International Financial Centre;
- the Insurance Authority of the UAE, which regulates QICI's branches in Dubai and Abu Dhabi;
- the Capital Markets Authority of the Sultanate of Oman, which regulates Oman Qatar Insurance Company, the Oman-based direct insurance subsidiary of QICI;
- the Insurance Department of Kuwait's Ministry of Economy, which regulates Kuwait Qatar Insurance Company, the Kuwait-based direct insurance subsidiary of QICI;
- the Maltese Financial Services Authority, which regulates QIC Europe;
- the Labuan Financial Services Authority, which regulates QLM's Labuan branch; and
- the Bermuda Monetary Authority, which regulates Qatar Re.

In addition, Antares and QIC Europe, as EU insurers, are subject to the harmonised EU-wide insurance regulatory regime, Solvency II, which was implemented on 1 January 2016.

The Group has all required material licences and permits to conduct the business carried on by it in the countries in which it is active and no Group company has, in the past three years, been in breach of any applicable regulations or licence conditions.

Internal Control

QIC has established systems and procedures which are designed to ensure that all the regulatory compliance requirements of the Qatar Stock Exchange and other applicable regulatory authorities are fully complied with. QIC's internal control function is managed through its Compliance and Internal Audit and Risk Assurance departments.

Compliance department

The Group considers compliance with applicable laws, industry regulations, codes and its own ethical standards and internal policies to be an integral part of doing business. QIC's compliance team, together with the compliance functions of the Group's other businesses and units, review compliance with the Group's internal systems, procedures, policies and regulations as well as with applicable external regulations and laws, including the laws and regulations on combatting money laundering and financing of terrorism. The teams also analyse applicable statutory and regulatory requirements and monitor their implementation and execution across the Group.

The monitoring of regulatory requirements includes financial due diligence procedures, including screening checks against applicable sanctions watch lists, aimed at combatting money laundering and the financing of terrorism, as well as appropriate reporting to relevant agencies in this respect.

Internal audit

QIC's internal audit department carries out independent reviews of QIC's and its subsidiaries' and branches' internal control and governance systems, reporting on the existence, effectiveness and/or weaknesses of the systems and covering in particular risk management, maintenance and safeguarding of assets, and financial management. It also reviews the effectiveness of the compliance machinery and function as an internal control tool. Other Group companies, such as Qatar Re, QIC Europe and Antares, outsource their internal audit function to specialist firms approved by the relevant regulators and overseen by dedicated internal

personnel. All internal audit work at these entities is co-ordinated with, and reported to, QIC's internal audit department.

Both the compliance and the internal audit departments report directly to the Board through its Audit, Risk and Compliance Committee. No fines or penalties have been imposed on any member of the Group by any regulatory body for compliance failures to date in 2017 and in each of 2016, 2015 and 2014.

Information Technology

The Group's IT Steering Committee oversees its IT functions and ensures that the IT strategy is aligned to the Group's overall business strategy. The key objective for Group IT is to provide innovative and efficient technology, beating the market in every product, process and solution and to enhance the IT-leveraged operations through a uniform seamlessly integrated platform that can also easily be expanded.

The Group uses a mix of vendor-driven and own-developed software to meet its business needs. The Group manages IT security through daily, monthly and annual back-ups of all critical data and applications, with backup tapes being stored in onsite and offsite locations.

The Group's IT security team works with a specialised cyber-security company and regularly performs penetration testing, vulnerability assessment and source code reviews to ensure protection of the Group's IT infrastructure and applications.

QIC has also designed, implemented and tested a disaster recovery plan that incorporates a regular risk analysis to ensure that QIC is fully concentrated on managing and mitigating risks. All critical business data are replicated to the disaster recovery site in real time.

QIC has been awarded the ISO 27001:2005 certification for Information Security Management since 2009.

RISK MANAGEMENT

Overview

The Group derives its revenue principally from providing insurance and managing investments. As a result, the Group's business is mainly exposed to the following risks:

- Insurance risk;
- Operational risk;
- Credit risk;
- Balance sheet and market risk;
- Reserving risk;
- Reputational risk;
- Strategic risk; and
- Group risk.

Risk Management Framework

Governance

The primary objective of the Group's risk management framework is to protect its shareholders from events that could cause the Group to fail in achieving its financial performance objectives. The Board approves and monitors the implementation of the Group's risk management strategy and is primarily responsible for the oversight of risk management in the Group. The CEO and senior management, acting through the Group Risk Steering Committee and the risk committees at various operating entities, are responsible for implementing the approved risk management strategy across the Group. Through the Group Risk Steering Committee, the Group aims to:

- align the Group's risk management activities with its overall corporate objectives and policies;
- obtain a consolidated view of Group-wide risks to ensure consistent and acceptable management of risks across the Group;
- ensure that risks are taken within prudent limits;
- ensure that a consistent approach is taken across the Group for identifying, assessing, measuring, mitigating, monitoring and reporting on risks;
- obtain a comprehensive view of the results of past strategies as an input to future strategies;
- enhance the governance over risks; and
- ensure the implementation of all risk directives and guidelines.

The various heads of risk management within the Group's business entities are charged with managing their entity's risk profile, monitoring the progression of risk management and the implementation of risk mitigation strategies. They also review and recommend risk tolerance limits to the Group Risk Steering Committee on a continuous basis.

The Head of Internal Audit periodically assesses the adequacy and effectiveness of the risk management system and the processes in place for controlling and managing risks across the Group.

Capital management

The Group's internal risk management framework identifies the risks to which each of its business units and the Group as a whole are exposed and quantifies the impact of these risks on the Group's economic capital. Internal risk management framework estimates indicate how much capital is needed to mitigate the risk of insolvency to a selected remote level of risk, based on a number of financial and non-financial stress tests applied to the capital position of the business.

Regulatory

Regulation applicable to the Group aims to ensure that the rights of the Group's policyholders are fully protected and that the Group maintains an appropriate solvency position to meet unforeseen liabilities arising from economic shocks or natural disasters.

The operations of the Group are subject to regulatory requirements within each of the jurisdictions where it operates. These regulations not only prescribe approval and monitoring of activities, but also impose certain restrictive provisions (for example, maintenance of a required level of capital adequacy) to ensure that the Group is able to meet its liabilities as they arise.

Compliance and money laundering reporting officers within each Group business entity also identify and assess compliance and money laundering risks across their businesses, monitor the implementation of risk management strategies and ensure timely reporting of breaches, corrective action taken and all suspicious transactions.

Asset Liability Management Framework

Financial risks arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements. The Group believes that the principal risk arising from the nature of its investments and liabilities is interest rate risk. The Group manages its open positions within an asset liability management ("**ALM**") framework that has been developed to achieve investment returns in excess of its obligations under insurance and investment contracts. The Group's ALM framework forms an integral part of its insurance risk management policy and aims to ensure that in each period sufficient cash flow is available to meet the liabilities arising from the Group's insurance and investment contracts.

The Group's ALM framework is also designed to manage the financial risks associated with the Group's financial assets and liabilities which are not directly associated with insurance and investment liabilities.

The Board Investment Committee reviews the ALM framework on a regular basis to ensure that the duration of the asset portfolio is in line with the Group's liability duration and that in each period sufficient cash flows will be available to meet the liabilities arising out of Group's insurance and investment contracts.

Enterprise Risk Management

The Group's enterprise risk management covers risk and capital management as well as exposure monitoring. The Group has adopted a three lines of defence risk management model which comprises:

- operational management responsible for managing risk through deployment and execution of controls and management oversight as the first line;
- compliance, risk and actuarial functions, which independently report on first line of defence activities through their independent perspective and challenge, as the second line; and

- internal and external audit, which provide independent assurance, as the third line.

In addition, the Group has dedicated management risk committees in each operating company, each of which reports to the Group Risk Steering Committee which, in turn, reports to the Board and the Board Audit, Risk and Compliance Committee.

The Group's enterprise risk management cycle comprises:

- risk identification and assessment. Each risk identified must have an owner responsible for ensuring that the risk is effectively monitored and managed. In addition, the inter-relationship and correlation of risks is also assessed at a Group level through simulation and stress testing;
- risk measurement;
- risk management, including through appropriate limits and contingency planning; and
- risk monitoring, including through key controls and risk indicators, to ensure that business issues are identified and addressed as appropriate by management.

Risks are monitored and maintained by risk categories and each risk is assessed for impact and probability, along with the controls in place to mitigate the risk. All risks are reviewed quarterly and regular research is done to identify emerging risks. The Group also has a comprehensive stress and scenario testing framework.

The Group Risk Steering Committee is chaired by the Group Chief Risk Officer and includes senior officials from different business functions. The committee, which meets on a quarterly basis, identifies, monitors and follows-up major risks that the Group could be exposed to and takes appropriate corrective and preventive actions in order to mitigate those risks. The committee provides necessary guidance and directions to create an embedded risk management culture in all of the Group's business units.

The Group is committed to further enhancing its enterprise risk management and, during 2016, it:

- appointed a Group Chief Risk Officer and a head of Group Risk Management, as well as a chief risk officer for Qatar Re;
- commenced an initiative to increase the consistency of the enterprise risk management framework across the Group;
- established a three-member Group capital modelling team; and
- established a Group actuarial function, to complement the existing actuarial functions in place at Qatar Re and Antares.

Insurance Risk

Insurance risk is the risk that inadequate or inappropriate underwriting, claims management, product design and pricing will expose the Group to financial loss and the consequent inability to meet its liabilities. Within insurance risk:

- underwriting risk is the risk that inappropriate business is underwritten;
- claims management risk is the risk that claims are greater than expected or that inappropriate claims settlements are reached;
- pricing risk is the risk that the cost of claims, other costs or investment returns arising from the sale of a product are inaccurately estimated; and

- product risk is the risk that new or modified products have not been adequately assessed resulting in a cost of claims that is not commensurate with the risks and returns of the product.

Insurance risk is influenced by the frequency of claims, the severity of claims, the actual compensation paid and the subsequent development of long-term claims. Therefore the Group's objective is to ensure that sufficient reserves are available to cover these liabilities.

Relevant risk committees:

- review the acceptance of all insurance risks and analyse accumulations and aggregation of risks based on geographical locations and various types of insurance risks;
- review the risk retention policy, approve tolerance limits and determine policy for reinsurance security and alternate risk mitigation; and
- review the results of internal stress tests conducted to analyse the possible impact on portfolio risk retained as well as to check the adequacy of insurance reserves (such as the reserves for unexpired risks, outstanding claims and IBNR claims) and any impact on the Group's reinsurance structure.

The Group manages its insurance risk through the careful formulation and implementation of its underwriting strategy and guidelines, together with ensuring that adequate reinsurance arrangements are in place and that claims handling is proactively carried out.

The concentration of the Group's insurance risk exposure is mitigated by the Group's underwriting strategy, which attempts to ensure that the risks underwritten are well diversified across a large portfolio in terms of type, level of insured benefits, amount of risk, industry and geography. Underwriting limits are in place to ensure this diversification.

The Group, in the normal course of business and in order to minimise its financial exposure arising from large claims, enters into contracts with other parties for reinsurance purposes. These reinsurance arrangements provide for greater diversification of business, allow management to control exposure to potential losses arising from large risks, and provide additional capacity for growth. A significant portion of the Group's reinsurance is effected under treaty, facultative and XL reinsurance contracts. Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision and are in accordance with the reinsurance contracts.

Although the Group has reinsurance arrangements in place, these arrangements do not relieve it of its direct obligations to its policyholders and thus the Group retains credit exposure with respect to ceded insurance, to the extent that any reinsurer is unable to meet its obligations assumed under such reinsurance agreements. The Group's placement of reinsurance is diversified to avoid dependence on either a single reinsurer or any single reinsurance contract.

The Group implements:

- strict claim review policies designed to assess all new and ongoing claims;
- regular detailed reviews of claims handling procedures; and
- frequent investigations of possible fraudulent claims,

in all cases to reduce the risk exposure of the Group. The Group also has a policy of actively and proactively managing claims in order to reduce its exposure to unpredictable future developments that could negatively impact the Group.

The principal assumption underlying the Group's estimates of its future claims liability is that the Group's future claims development experience will follow a similar pattern to its past claims development experience. This includes assumptions in respect of average claim costs, claim handling costs, claim inflation factors and claim numbers for each accident year (being the year in which the event causing the claim occurred). Additional qualitative judgments are used to assess the extent to which past trends may not apply in the future, for example a one-off occurrence, changes in market factors such as public attitude to claiming, economic conditions, and a range of internal factors such as portfolio mix, policy conditions and claims handling procedures. Judgment is further used to assess the extent to which external factors such as judicial decisions and government legislation may affect the estimates.

Other key circumstances affecting the reliability of assumptions include variations in interest rates, delays in settlement and changes in foreign currency rates.

The Group's general insurance claims provisions are sensitive to the key assumptions described above. The table below shows a sensitivity analysis performed for possible movements in key assumptions with all other assumptions held constant, showing the impact on the Group's gross liabilities and net profit. The analysis excludes the sensitivity of certain assumptions, such as legislative changes or uncertainty in the estimation process, as these cannot be quantified.

	Change in assumptions	**Impact on liabilities**	**Impact on net profit**
		(QR million)	
31 December 2016			
Incurred claim cost	10%	577	(577)
Incurred claim cost	(10)%	(577)	577
31 December 2015			
Incurred claim cost	10%	387	(387)
Incurred claim cost	(10)%	(387)	387

The Group maintains strong reserves in respect of its insurance business in order to protect itself against adverse future claims experience and developments.

Note 31(e) to the 2016 Financial Statements contains a claims development table for the period from 2011 showing estimates of cumulative incurred claims for each year at the reporting date together with cumulative payments to date.

Operational Risk

Operational risk is the risk of financial loss arising from inadequate or failed internal processes, people and systems or from external events. Operational risk includes:

- process risk which is the risk that the process in any undertaking entails a chain that includes transaction risk, documentation risk and control risk;
- people risk which is the risk arising from differing backgrounds, education, skills, personal expectations and ethical standards among staff, with lack of understanding, skill gaps and inadequate training being significant causes of people risk;

- systems risk being the risk that the failure or inadequate functioning of systems can lead to ineffective operations, inadequate decision making and control weaknesses; and
- event risk, such as the occurrence of natural disasters or terrorist attack.

When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications or can lead to financial loss.

The Group does not expect to eliminate all operational risks, but by initiating a rigorous control framework and by monitoring and responding to potential risks, the Group seeks to manage its operational risk. The Group has detailed systems and procedures manuals designed to achieve effective segregation of duties, access controls, authorisation and reconciliation procedures, staff training and assessment processes. These procedures are backed up by a compliance and internal audit framework.

Business risks, such as changes in environment, technology and the industry, are monitored through the Group's strategic planning and budgeting process.

Relevant risk management staff are responsible for developing business continuity and disaster recovery plans to minimise the impact on Group businesses resulting from any major incidents. These plans cover all critical systems and identify alternate sites which can act as a backup in case of a disruption.

Credit Risk

Credit risk is the risk of default by borrowers and transactional counterparties as well as the risk of the loss of value of assets due to deterioration in credit quality. Exposure to credit risk results from financial transactions with securities issuers, debtors, borrowers, brokers and insured who pay premiums to the Group, reinsurance participants and guarantors.

The Group's credit risk policy sets out the assessment and determination of what constitutes credit risk for the Group and the Group has also implemented the following policies and procedures to mitigate its exposure to credit risk:

- the Group has a receivables management policy and exposures and breaches of the policy are reviewed for relevance and as potential indicators of changes in the risk environment;
- reinsurance is placed with reinsurers approved by management. To minimise its exposure to significant losses from reinsurer insolvencies, the Group evaluates the financial condition of its reinsurers and monitors concentrations of credit risk arising from similar geographic regions, activities or economic characteristics of the reinsurers; and
- at each reporting date, management performs an assessment of creditworthiness of reinsurers and updates its reinsurance purchase strategy.

The Group has established a range of credit risk limits (including counterparty, sector and country limits) to manage its exposure within the defined Group credit risk appetite. These limits are monitored periodically by the Board Investment Committee.

For all classes of financial assets held by the Group, other than those relating to reinsurance contracts, the maximum credit risk exposure to the Group is the carrying value as disclosed in the consolidated financial statements at the reporting date.

The Group's exposure to credit risk principally arises from its insurance and reinsurance receivables, its cash and cash equivalents held in bank accounts, its reinsurance contract assets and its portfolio of available for sale fixed income securities.

The table below shows the payment status of these financial assets as at 31 December 2016.

	Neither past due nor impaired	Past due[1] but not impaired	Past due and impaired	Total
		(QR million)		
Insurance receivables	3,807	357	51	4,215
Cash and cash equivalents	6,962	—	—	6,962
Reinsurance contract assets	1,853	—	—	1,853
Held for trading debt securities	1,943	—	—	1,943
Available for sale debt securities	6,347	—	—	6,347
Total	**20,912**	**357**	**51**	**21,320**

Note:

(1) The Group defines a receivable as past due when it is more than 121 days in arrears.

The table below shows the ageing of the Group's insurance and other receivables as at 31 December 2016.

	<30 days	31-60 days	61-90 days	91-120 days	>121 days	Total
			(QR million)			
Insurance and other receivables[1]	2,131	342	921	454	408	4,257
Insurance and other receivables	50.1%	8.0%	21.6%	10.7%	9.6%	100.0%

Note:

(1) Comprises insurance and reinsurance receivables plus staff advances of QR 42 million.

As at 31 December 2016, the Group had QR 15 million in impaired reinsurance receivables and QR 35 million in impaired insurance and other receivables, giving it an overall impairment rate of 1.2 per cent. in respect of its insurance and other receivables.

The table below shows the movement in the Group's impairment provision for its insurance and other receivables for each of 2016, 2015 and 2014.

	2016	2015	2014
		(QR million)	
At 1 January	38	31	25
Charged during the year	12	7	6
Total	**51**	**38**	**31**

Balance Sheet and Market Risk

Balance sheet and market risk includes investment risk and the risks associated with liquidity management, the use of derivatives, foreign exchange risk and interest rate risk.

Investment risk

Investment risk refers to the possibility of adverse movements in the Group's assets, including off balance sheet exposures and derives from a number of sources, including market risk, credit risk and concentration risk.

The Group manages investment risk by quantifying the risks associated with each investment and only investing in accordance with the Group's investment strategy and risk profile. Any proposed investment that is outside established limits must be approved by the Board Investment Committee.

The Group seeks to limit investment risk by maintaining a diversified portfolio of investments and by continuously monitoring developments in international and local equity and bond markets. In addition, the Group actively monitors the key factors that affect stock and bond market movements, including the operational and financial performance of its investee companies.

The Group's IT systems allow real time monitoring of the investment in line with the Group's investment strategy and exceptions, if any, are immediately escalated to management. Further, the Board Investment Committee meets at frequent intervals to discuss matters relating to asset allocations and investment risks.

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities, in particular its obligation to make payments in respect of insurance claims.

The Group's liquidity requirements are monitored on a daily, weekly and monthly basis.

The table below summarises the maturity profile of the Group's non-derivative financial assets and non-derivative financial liabilities as at 31 December 2016 based on their remaining undiscounted contractual obligations, including interest payable and receivable. For insurance contract liabilities and reinsurance contract assets, the maturity profiles are determined based on the estimated timing of net cash outflows from the recognised insurance liabilities. Unearned premiums and the reinsurers' share of unearned premiums have been excluded from the analysis as they are not contractual obligations.

	As at 31 December 2016			
	Up to 1 year	**1 – 5 years**	**Over 5 years**	**Total**
	(QR million)			
Financial assets				
Held for trading investments	2,870	—	—	**2,870**
Available for sale equity investments	2,218	—	—	**2,218**
Available for sale debt investments	386	2,710	3,251	**6,347**
Insurance receivables, net	4,164	—	—	**4,164**
Reinsurance contract assets	1,130	—	—	**1,130**
Cash and cash equivalents	6,962	—	—	**6,962**
Total financial assets	**17,730**	**2,710**	**3,251**	**23,691**
Financial liabilities				
Trade and other payables	857	—	—	**857**
Insurance contract liabilities	5,083	—	—	**5,083**
Insurance payables	738	—	—	**738**
Short-term borrowings	4,065	—	—	**4,065**

	As at 31 December 2016			
	Up to 1 year	1 – 5 years	Over 5 years	Total
		(QR million)		
Long-term borrowings	—	127	—	**127**
Total financial liabilities	**10,744**	**127**	**—**	**10,871**

Interest rate risk

Interest rate risk is the risk that the value of, or income from, a financial instrument will fluctuate because of changes in market interest rates. The Group is principally exposed to interest rate risk through its investments in debt securities and its bank deposits.

The Group's interest rate risk policy requires managing interest rate risk by maintaining an appropriate mix of fixed and variable rate instruments. The policy also requires the Group to manage the maturities of its interest bearing financial assets and interest bearing financial liabilities. In addition, the Group uses derivatives to manage its balance sheet risks.

The Group limits interest rate risk by monitoring changes in interest rates in the currencies in which its cash and investments are denominated and the Group believes that it has no significant concentration of interest rate risk.

The Group's sensitivity analysis, which assumes a change in interest rates with all other variables held constant, showed that at 31 December 2016 a 50 basis point increase in interest rates would have decreased the Group's profit by QR 23 million and would have decreased its equity by QR 106 million whilst a 50 basis point fall in interest rates would have had an equal but opposite effect.

The table below shows the Group's effective interest rates for 2016, 2015 and 2014.

	2016	2015	2014
		(%)	
Cash and cash equivalents	2.19	1.34	1.18
Available for sale debt investments	3.63	4.41	3.83

Foreign exchange risk

Foreign exchange risk is the risk that the value of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Group uses various off balance sheet financial instruments, including forward foreign exchange contracts and options, to manage certain foreign currency investment exposures and for trading.

The table below shows the Group's exposure to currency exchange rate risk at 31 December 2016 by categorising assets and liabilities and major currencies.

	USD	Euro	GBP	Other[(1)]	Total
			(QR million)		
Cash and cash equivalents	413	228	196	6,126	**6,962**
Insurance and other receivables	1,763	319	2,891	1,680	**6,653**
Investments	8,177	228	753	2,277	**11,435**

	USD	Euro	GBP	Other[1]	Total
			(QR million)		
Total assets	**10,352**	**775**	**3,840**	**10,083**	**25,050**
Short-term borrowings	4,065	—	—	—	**4,065**
Long-term borrowings	—	—	127	—	**127**
Provisions, reinsurance and other payables	668	90	584	1,130	**2,471**
Total liabilities	**4,733**	**90**	**711**	**1,130**	**6,664**

Note:

(1) Mainly Qatari riyal.

The Group's sensitivity analyses, which assume a change in exchange rates with all other variables held constant, showed that at 31 December 2016:

- a 10 per cent. increase in the euro/Qatari riyal exchange rate would have increased the Group's profit by QR 27 million and had no effect on its equity whilst a 10 per cent. fall in the euro/Qatari riyal exchange rate would have had an equal but opposite effect; and
- a 10 per cent. increase in the GBP/Qatari riyal exchange rate would have increased the Group's profit by QR 36 million and had no effect on its equity whilst a 10 per cent. fall in the GBP/Qatari riyal exchange rate would have had an equal but opposite effect.

Equity risk

Equity price risk is the risk that the fair value of, or income from, a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The Group is principally exposed to equity price risk through its holdings of available for sale equity investments.

The Board Investment Committee has approved the Group's investment strategy and the Group only holds equity positions in accordance with that strategy. The Group's equity risk policy requires it to manage these risks by setting and monitoring objectives and constraints on investments, diversification plans, limits on investments in each country, sector, currency and instrument and careful and planned use of derivative financial instruments. The Group believes that it has no significant concentration of equity price risk.

The Group's sensitivity analysis, which assumes a change in key variables with all other variables held constant, showed that at 31 December 2016:

- a 10 per cent. increase in market prices in the Qatar market would have had no effect on the Group's profit but would have increased its equity by QR 147 million whilst a 10 per cent. fall in market prices in the Qatar market would have had an equal but opposite effect; and
- a 10 per cent. increase in market prices in the international market would have increased the Group's profit by QR 92 million and increased its equity by QR 21 million whilst a 10 per cent. fall in market prices in the international market would have had an equal but opposite effect.

Strategic Risk

Strategic risk is the current and prospective impact on earnings or capital arising from adverse business decisions, improper implementation of decisions or lack of responsiveness to industry changes. The Group ensures that a process is in place for monitoring the performance of its strategic plans, the successful implementation of those plans and the occurrence of any external factors that may have an impact on its ability to achieve the objectives laid out in its strategic plan. The Group aims to identify and assess strategic risks through scenario analysis. Methods of monitoring and controlling risk include ensuring that solid review and monitoring procedures are in place and that deviations from the strategic plan are identified on a timely basis and that necessary corrective action is taken.

Reputational Risk

Reputational risk is the risk that an event or situation could adversely or beneficially affect the ability of the Group to:

- achieve its objectives;
- maintain a good reputation; and
- meet stakeholder expectations.

Key sources of reputational risk include communications and crisis management, corporate governance and leadership, corporate social responsibility, failure to deliver on promises to customers, financial performance, regulatory compliance and rumours of illiquidity. Reputational risk management is focused on early identification of potential risk events, as well as having an appropriate action plan in place to deal with events that could impact the Group's reputation.

Reserving Risk

Reserving risk is the risk that insurance liabilities recorded by the Group, net of any recoveries in respect of those liabilities, will exceed the amounts available to pay them. The Group seeks to maintain appropriate systems, controls and procedures to ensure that the provisions it makes for insurance liabilities are, at all times, sufficient to cover the liabilities incurred or yet to be incurred under the contracts of insurance written by it. The Group's reserving methodology includes:

- verifying the quality and completeness of its reserving data;
- defining suitable business categories;
- assessing all relevant quantitative and qualitative information;
- applying a range of techniques;
- arriving at a best estimate;
- adopting an appropriate margin for uncertainty; and
- setting current provisions by projecting the best estimate from the previous quarter and adding a margin.

Group Risk

Group risk is defined as the risks relating to running a group of companies. The Group President and CEO and senior management are required to maintain systems and controls to identify and monitor the effect of group risk, including systems to monitor changes in relationships between group members, changes in activities of group members, conflicts of interest arising within the Group and events within the Group that may impact any Group company's own regulatory compliance.

Capital Management and Solvency

Until April 2016, externally imposed capital requirements for QIC were set and regulated by the Commercial Companies' Law and the Qatar Stock Exchange and were designed to ensure that QIC maintained sufficient capital on a consolidated basis. With effect from April 2016, the QCB has introduced new capital and solvency requirements that apply to QIC on a consolidated basis. In addition, capital and solvency requirements are applied by other applicable regulators to each of the Group's insurance and reinsurance subsidiaries operating outside Qatar. Maintaining adequate capital levels provides the Group with a buffer against unforeseen losses and allows it to continue operating while issues are addressed and resolved. In addition, maintaining adequate financial resources provides policyholders, creditors and the market with confidence in the financial soundness and stability of the Group.

The new QCB requirements define the manner in which a Qatari insurer's eligible capital should be calculated and set new minimum capital requirements and solvency ratio requirements for Qatari insurers. The minimum capital requirements distinguish between listed and unlisted insurers. The minimum capital requirement for a listed Qatari insurer (such as QIC) is that its eligible capital should at all times be equal to or higher than the higher of (i) its risk-based capital requirement and (ii) the amount decided by the QCB from time to time subject, in each case, to a minimum threshold of QR 100 million. An insurer's risk-based capital requirement is the sum of:

- its insurance risk requirement, which comprises four components: its premium risk component, its outstanding claims risk component, its long-term insurance risk component and its insurance concentration risk component;
- its investment risk requirement, which comprises three components: its asset risk component, its off-balance sheet asset risk component and its off-balance sheet liability risk component; and
- its operational risk requirement, which is 2 per cent. of the higher of (i) its gross written premiums in the 12 months ending on the relevant reference date and (ii) its technical provisions (without deduction for reinsurance), although this amount is capped at the insurer's operational risk requirement ceiling.

There are detailed requirements for calculating each of the components described above.

An insurer's eligible capital is defined in the QCB requirements as its assets, resources and financial instruments that can be considered part of its capital or that can be calculated in its minimum capital requirement or solvency ratio requirement. For this purpose, and insurer's eligible capital comprises tier 1 and tier 2 capital. Tier 1 capital includes share capital, certain reserves and externally verified interim net profits and is subject to certain deductions. Tier 2 capital includes qualifying perpetual hybrid capital instruments, fixed dividend and preference shares and subordinated debt. The combined total of tier 1 and tier 2 capital is also subject to certain deductions.

A Qatari insurer's solvency ratio requirement is that its eligible capital should at all times be not less than 150 per cent. of its minimum capital requirement. The solvency ratio requirement is designed to ensure the early identification and mitigation of any potential risks to an insurer's solvency.

The Group manages its capital requirements by monitoring reported and required capital levels on a regular basis and ensuring that adequate surplus capital is maintained at all times. All Group companies remain in compliance with all externally imposed capital requirements.

Based on the new QCB requirements, the Group's eligible capital and minimum capital requirement as at 31 December 2016 were QR 7,018 million and QR 3,853 million, respectively, and its solvency ratio at the same date was 182 per cent.

The table below shows the calculation of the QIC's eligible capital, minimum required capital and solvency ratio in accordance with the QCB requirements as at 31 December 2016.

	As at 31 December 2016
	(QR million, except percentage)
Eligible capital	
Tier 1 capital	8,236
Less deductions	417
Total tier 1 capital	**7,819**
Tier 2 capital	—
Total tier 1 and tier 2 capital	**7,819**
Less deductions	801
Total eligible capital	**7,018**
Minimum capital requirement	**3,853**
Insurance risk requirement	2,106
Investment risk requirement	1,475
Operational risk requirement	272
Total risk-based capital requirement	**3,853**
Solvency ratio	182%

MANAGEMENT AND EMPLOYEES

Management

Board of Directors

Members of the Board are elected by the General Assembly of shareholders in accordance with the rules and conditions set out in the Qatar Commercial Companies Law and QIC's Articles of Association. All Board members, other than any who are independent, are required to own a minimum of 200,000 shares in QIC.

The Board is responsible for the overall management of QIC. It is also responsible for setting the goals and strategies necessary to achieve those goals and for monitoring the implementation of the strategies by QIC's executive management.

The Board elects a Chairman and Managing Director. The Chairman of the Board is responsible for the proper functioning of the Board. He does not participate in any of the Board committees. The Managing Director acts as a link between the Board and executive management. He is responsible for ensuring that the objectives set by the Board are efficiently achieved. Among other things, he also reviews the strategies and the long-term plans proposed by executive management, provides periodic reports to the Board on the performance of the executive management and ensures that the executive management are working within their established financial and administrative authorities.

The Qatar Commercial Companies Law requires that the Board should meet at least six times a year. During each of 2016 and 2016, the Board held six meetings.

The Board comprises 11 members, one of whom is appointed by the Government and the remaining 10 are appointed by the shareholders in general meeting from among shareholders who own at least 200,000 shares in QIC. Members are appointed for three-year terms and can be appointed for any number of successive terms.

The increase in the number of board of directors from nine to 11 adds additional expertise and competencies in line with the growth of the Group's activities, both locally and internationally. In addition, this increase reflects the requirements of different regulatory bodies and corporate governance standards relating to directors and board committees. QIC's Board committees meet the requirements of:

- the corporate governance principles for insurance companies;
- the QCB's insurance regulations; and
- the corporate governance code for companies listed on the Qatar Exchange issued by Qatar Financial Market Authority.

The table below shows the current members of the Board and the number and percentage of shares owned by the Board members of the entities they represent at 31 December 2015. QIC does not currently have any independent directors.

Name	No. of shares owned by Board members or the entities they represent	Percentage of capital
Sheikh Khalid Bin Mohammed Bin Ali Al-Thani.............	5,466,688	2.27%
Mr. Abdullah Bin Khalifa Al-Attiya.................................	2,041,792	0.85%
Mr. Hussain Ibrahim Al-Fardan	1,529,672	0.63%

Name	No. of shares owned by Board members or the entities they represent	Percentage of capital
Mr. Jassim Mohammed Al-Jaidah (represents Jaidah Motors and Trading Company)	2,200,000	0.91%
Sheikh Hamad Bin Faisal Bin Thani Al-Thani	1,621,519	0.67%
Mr. Khalaf Ahmed Al-Mannai (represents the following Qatari entities:		
Civil Service Retirement Fund	24,319,574	10.09%
Military Retirement Fund)	9,269,740	3.84%
Sheikh Jassim Bin Hamad Bin Jassim Bin Jabor Al-Thani (represents Mirqab Capital Company)	2,620,961	1.09%
Sheikh Faisal Bin Thani Bin Faisal Bin Thani Al-Thani (represents Broog Trading Company)	12,056,932	5.00%
Sheikh Saoud Bin Khalid Bin Hamad Al-Thani	655,776	0.27%
Ali Youssef Hussein Ali Kamal (represents Al Kamal International)	692,833	0.29%
Sheikh Abdulrahman bin Saud bin Fahad Al Thani	315,181	0.13%

Brief details of each member of the Board are set out below.

Sheikh Khalid Bin Mohammed Bin Ali Al-Thani

Sheikh Khalid Bin Mohammed Bin Ali Al-Thani is the Chairman and Managing Director of QIC, a post he has held since 1987. He is a former Minister of Qatar.

Mr. Abdullah Bin Khalifa Al-Attiya

Mr. Abdullah Bin Khalifa Al-Attiya is the Deputy Chairman of QIC, a post he has held since 1996. He holds a BA in Political Science from a United States institution. He is Minister of Qatar and currently holds the following positions: Chairman of Gulf Publishing and Printing; and owner and Chairman of the Board of Directors of Contraco Contracting Company.

Mr. Hussain Ibrahim Al-Fardan

Mr. Hussain Ibrahim Al-Fardan has been a member of the Board since 1987. He currently holds the following positions: Chairman of Al Fardan Group; Managing Director of The Commercial Bank (P.S.Q.C.), a founding member and Board member of Investcorp Bank in Bahrain; and Deputy Chairman of both Gulf Publishing and Printing and the Qatari Businessmen Association.

Mr. Jassim Mohammed Al-Jaidah

Mr. Jassim Mohammed Al-Jaidah has been a member of the Board since 1978 and represents Jaidah Motors & Trading Company. He is the Chairman of Jaidah Motors and Trading Company.

Sheikh Hamad Bin Faisal Bin Thani Al-Thani

Sheikh Hamad Bin Faisal Bin Thani Al-Thani has been a member of the Board since 1991. He holds a Bachelor's degree in Political Science from a United States institution. He currently holds the following positions: Chairman of the Board and Managing Director of Al Khaliji Bank; Deputy Chairman of Qatari

Investors Group; and member of the Board of Directors of Qatari Businessmen Association. He is also a former Minister of Economy and Trade.

Mr. Khalaf Ahmed Al-Mannai

Mr. Khalaf Ahmed Al-Mannai has been a member of the Board since 1985 and represents Qatar in respect of the shares in QIC held by two State retirement funds. Mr. Khalaf Ahmed Al-Mannai holds a Bachelor's degree in Accounting from Cairo University. He currently holds the following positions: Undersecretary of Ministry of Economy and Finance; member of the Al Shura council; and member of the Board of Directors of each of QLM and the QCB.

Sheikh Jassim Bin Hamad Bin Jassim Bin Jabor Al-Thani

Sheikh Jassim Bin Hamad Bin Jassim Bin Jabor Al-Thani has been a member of the Board since 2005 and represents Mirqab Capital Company. He graduated as an officer cadet from the Royal Military Academy, Sandhurst, in the United Kingdom. He currently holds the following positions: Chairman of the Board of Directors of Qatar Islamic Bank and Damaan Islamic Insurance Company ("**Damaan**"), a Group company.

Sheikh Faisal Bin Thani Bin Faisal Bin Thani Al-Thani

Sheikh Faisal Bin Thani Bin Faisal Bin Thani Al-Thani has been a member of the Board since 2015 and represents Broog Trading Company. He has a Bachelor's degree in Business Administration from Marymount University in the United States. He currently holds the following positions: Chairman of Investment in Qatar Foundation Endowment; and Deputy Chairman of the Board of Directors of Vodafone Qatar.

Sheikh Saoud Bin Khalid Bin Hamad Al-Thani

Sheikh Saoud Bin Khalid Bin Hamad Al-Thani has been a member of the Board since 2008. He currently holds the following positions: Chairman of the Board of Directors of QLM; and Board member of Qatar Electricity and Water Company.

The business address of each member of the Board is Tamin Street, West Bay, Doha, Qatar. No member of the Board has any actual or potential conflict of interest between his duties to QIC and his private interests and/or other duties.

Ali Youssef Hussein Ali Kamal

Mr Ali Youssef Hussein Ali Kamal was appointed as a member of the Board in 2017 and represents Al Kamal International Group. He graduated from a university in the United States of America with a Bachelors' degree in Business Administration with emphasis in Finance. He also holds a Bachelor of Arts degree in Economics. He is a Board member of Mannai Corporation, a company listed on the Qatar Exchange.

Sheik Abdulrahman bin Saud bin Fahad Al Thani

Sheik Abdulrahman bin Saud bin Fahad Al Thani was appointed as a member of the Board in 2017. He holds a Bachelors' degree in Political Science and a Masters' degree in International Relations from a university in the United States of America. Sheik Abdulrahman bin Saud bin Fahad Al Thani was previously the Ambassador of the State of Qatar to Washington DC and has held several important positions in the Emiri Diwan. He was the Chairman of Vodafone Qatar and is presently a Minister of State of Qatar.

Board committees

The Board has established three committees:

- the Investment Committee;
- the Business, Strategy and Compensation Committee (the "**BSCC**"); and

- Audit, Risk and Compliance Committee (the "**ARCC**").

Investment Committee

The principal functions of the Investment Committee are:

- to frame the investment policy of the Group in accordance with its mandate from the Board and to develop an investment strategy for dealings in the markets;
- to establish authority limits for the executive management of the investment department and to decide on matters exceeding the limits set;
- to monitor the management of the Group's portfolio of investment securities to achieve the best possible returns while maintaining an appropriate spread in terms of asset class and geography, thereby mitigating risks whilst taking into account the need to maintain the degree of liquidity necessary to meet the Group's obligations;
- to discuss potential investment initiatives and to make recommendations to the Board on potential opportunities for investment partnerships; and
- to report to the Board about the committee's activities and to make recommendations in respect of matters that require Board approval.

The present members of the Investment Committee are:

- Mr. Hussain Ibrahim Al-Fardan, as Chairman;
- Mr. Jassim Mohammed Al-Jaidah;
- Sheikh Hamad Bin Faisal Bin Thani Al-Thani;
- Sheikh Jassim Bin Hamad Bin Jassim Bin Jabor Al-Thani; and
- Sheikh Faisal Bin Thani Bin Faisal Bin Thani Al-Thani.

The Group President and CEO and other members of the Executive Management team with specialist experience attend Investment Committee meetings. The committee held two meetings in 2016 and one meeting in 2015.

Business, Strategy and Compensation Committee

The principal functions of the BSCC are:

- to ensure that the future vision of the Board is translated into objectives, strategies and action plans and to implement those plans and objectives;
- to authorise and accept any risks, benefits, work projects and expenses which exceed the authority limits of the CEO or those that require specific approval of the BSCC;
- to approve the organisational structure of the Group and all matters related to changes in compensation;
- to adopt a policy in relation to bonuses and incentives awarded to executive management in line with performance reports and results;
- to develop a policy in relation to bonuses and allowances to Board members and to make recommendations in respect of new Board members in accordance with the Qatar Commercial Companies Law and QIC's Articles;

- to monitor the Group's commitment to social and environmental responsibilities and the implementation of its policies relating to attendance at conferences and seminars, economic, cultural and sports activities, making donations and granting subsidies; and
- to report to the Board about the BSCC's activities and to make recommendations in respect of matters that require Board approval.

The present members of the BSCC are:

- Mr. Abdullah Bin Khalifa Al-Attiya, as Chairman;
- Mr. Hussain Ibrahim Al-Fardan; and
- Mr. Khalaf Ahmed Al-Mannai.

The Group President and CEO and members of executive management participate in all the meetings of the BSCC. The BSCC held three meetings in each of 2016 and 2015.

Audit, Risk and Compliance Committee

The principal functions of the ARCC are:

- to make necessary recommendations to the Board on the appointment of external auditors; to discuss their reports and comments and to take any necessary action in response;
- to appoint internal auditors, to approve internal audit plans and strategies, to discuss the periodic reports of the internal auditors and to issue necessary guidance and directions;
- to adopt internal control systems necessary to ensure compliance with the laws and regulations governing the Group's activities, including laws related to anti-money laundering and counter-terrorist financing;
- to approve the risk management framework and to discuss periodic reports in accordance with the established framework;
- to review and the approve overall risk retention policy, including maximum limits for insurance risks accepted and maximum retention limits;
- to approve the rules and regulations, system and policies to ensure implementation of action plans efficiently in line with local requirements and international standards and in accordance with Board directives; and
- to submit to the Board periodic reports on internal audit, corporate governance, compliance and risk management and to make recommendations in respect of matters reviewed by the ARCC.

The present members of the ARCC are:

- Mr. Khalaf Ahmed Al Mannai as Chairman;
- Mr. Jassim Mohammed Jaidah;
- Sheikh Saoud Bin Khalid Bin Hamad Al-Thani; and
- Sheikh Faisal Bin Thani Bin Faisal Bin Thani Al Thani.

The executive management participates in all the meetings of the ARCC. The ARCC held four meetings in each of 2016 and 2015.

Executive Management

The Executive Management team is responsible for implementing the strategies and goals set by the Board and for preparing short- and long-term plans to achieve those goals. The approved business plan is implemented through the relevant heads of the units and departments which operate within financial and administrative authorities approved by the Board.

The table below shows the members of the Executive Management team and their titles.

Name	Title
Mr. Khalifa Abdullah Turki Al-Subaey	Group President and CEO
Mr. Ali Saleh N Al Fadala	Senior Deputy Group President and CEO
Mr. Sunil Talwar	Group CEO – International Operations
Salem Khalaf Al Mannai	Deputy Group CEO – MENA Region
P.E. Alexander	Adviser to the Group President and CEO
Ahmed El Tabbakh	Senior Vice President – Group Finance and Adviser to the Group President and CEO
Saji Philipose	Group Chief Audit Executive and Executive Vice President
Mark Graham	Group Chief Risk Officer and Executive Vice President
Varghese David	Group Chief Financial Officer and Executive Vice President
Sandeep Nanda	Group Chief Investment Officer and Executive Vice President
Gunther Saacke	CEO and Director, Qatar Reinsurance Company
Stephen Redmond	Managing Director, Antares

The business address of each member of the Executive Management team is Tamin Street, West Bay, Doha, Qatar. No member of the team has any actual or potential conflict of interest between his duties to QIC and his private interests and/or other duties.

Brief details of each member of the Executive Management team are set out below.

Mr. Khalifa Abdullah Turki Al-Subaey

Mr. Khalifa Abdullah Turki Al-Subaey joined the Group in 1986 and is currently the Group President and CEO, a post which he has held since he joined the Group. He holds a Bachelor's degree in Economics and Political Science from the University of Michigan in the United States. Prior to joining the Group, he worked at Qatar Petroleum as head of the Insurance Section. He represents QIC on the boards of Damaan and other Group entities.

Mr. Ali Saleh N Al Fadala

Mr. Ali Saleh N Al Fadala joined the Group in 1986 and is currently the Senior Deputy Group President and CEO, a post which he has held since 2013. He is primarily responsible for assisting the Group President and CEO in managing the operations of the Group. He attended Lynwood Community College in the United States. During his time with the Group, he has worked in various departments and has spent time as Head of Technical, handling claims and reinsurance, and as CEO of Damaan after it was founded in 2010. Prior to joining the Group he worked at the Qatar Civil Affairs Bureau for five years. He represents QIC on the boards of The Commercial Bank (P.S.Q.C.) and various Group entities.

Mr. Sunil Talwar

Mr. Sunil Talwar joined the Group in 1986 with responsibility for managing QIC's finance function and is currently Group CEO – International Operations. He is currently responsible for developing and managing the international operations of the Group. He is a qualified Chartered Accountant and a member of the Institute of Chartered Accountants of India. Prior to joining the Group, he worked with Mannai Corporation in various capacities, the last being as Regional Coordinator – Middle East.

Mr. Salem Khalaf Al Mannai

Mr. Salem Khalaf Al Mannai joined the Group in 2001 and is currently Deputy Group CEO – MENA Region, a post which he has held since 2015. He holds a Masters degree in Business Administration ("**MBA**") from Plymouth University in the United Kingdom and a post graduate degree in marketing from Glamorgan University in the United Kingdom. He started his business career with the Group where he spent time in the motor and marine departments. Since 2013, he has been Deputy CEO of QLM.

P.E. Alexander

P.E. Alexander has spent 25 years with the Group and is currently Adviser to the Group President and CEO, a post which he has held since 2015. He has held several management positions within the Group, the last of which was as the chief executive officer of QIC. He holds a post graduate diploma in business management from Nagpur University in India and is a Fellow of the Insurance Institute of India. He has more than 38 years' experience in the insurance industry in India, the Middle East and Australia. His career began in India with the National Insurance Company for whom he worked for nine years. He then worked in Bahrain for three years before joining the Group as a member of the management team. In 1997, he left Qatar to take up residency in Australia and gain more international exposure. He returned to the Group in September 2001.

Ahmed El Tabbakh

Ahmed El Tabbakh joined the Group in 2011 and is currently Senior Vice President Group Finance and an Adviser to the Group President and CEO, a post which he has held since 2015. He holds an MBA from Oxford Brookes University in the United Kingdom. He is a qualified Chartered Accountant and a Fellow of the Association of Chartered Certified Accountants in the United Kingdom. He is also a Certified Internal Auditor with the Institute of Internal Auditors in the United States. He has nine years' experience in the insurance industry. Prior to joining the Group, he worked with KPMG audit and advisory in Qatar and in Egypt.

Saji Philipose

Saji Philipose joined the Group in 2007 and is currently the Group Chief Audit Executive and Executive Vice President, a post which he has held since 2015. He is a Fellow of the Insurance Institute of India, a Certified Internal Auditor from the Institute of Internal Auditors in the United States and holds a Bachelor's degree in Commerce from Ravishankar University in India. He is also a chartered accountant and a Fellow of the Institute of Chartered Accountants of India. He started his career in general insurance in Mumbai in 1985 with the New India Assurance Company and had assumed responsibility for its countrywide operations in credit insurance before relocating to the Middle East in 2005. Prior to joining the Group, he worked for Al Dhafra Insurance in the UAE.

Mark Graham

Mark Graham joined the Group in 2014 following the acquisition of Antares and is currently Group Chief Risk Officer and Executive Vice President, a post he has held since January 2016. He holds a BSc in Geophysics from the University of Edinburgh and an MSc in Mining Geology and Mineral Exploration from the University of Leicester. Mark is also a Fellow of the Institute of Actuaries. He has 29 years' experience in the insurance industry. Prior to joining the Group, he was Chief Risk Officer and Chief Operating Officer of

Antares, which he joined in 2012. Prior to joining Antares, he headed his own company, Acuitas Consulting Ltd, which provided strategic and operational advice to insurance businesses in the London market. He previously spent 10 years working for Chaucer Holdings plc, a FTSE-250 listed company, initially as Group Actuary and later as Chief Financial Officer. Prior to his time at Chaucer, he was Chief Actuary at Ashley Palmer Ltd.

Varghese David

Varghese David joined the Group in 1998 and is currently Group Chief Financial Officer and Executive Vice President, a post which he has held since 2015. He is a qualified Chartered Accountant and a Fellow of the Institute of Chartered Accountants of India. He is also a Certified Internal Auditor with the Institute of Internal Auditors in the United States and a Certified Information Systems Auditor with ISACA in the United States. He has 25 years' experience in the insurance industry, of which 20 were in the Middle East. Since joining the Group he has gained experience in finance, internal audit, IT and risk management. Prior to joining the Group, he worked with the insurance broker Sedgwicks Group in the UAE.

Sandeep Nanda

Sandeep Nanda joined the Group in 2003 and is currently Group Chief Investment Officer and Executive Vice President, a post which he has held since 2015. He is a qualified Chartered Accountant and holds a Bachelor's degree in Commerce from the University of Delhi. He has 23 years' experience in financial services, including portfolio and treasury management. He is responsible for the day to day management of the investment and treasury department. Prior to joining the Group, he worked at TAIB Bank EC, an investment bank in Bahrain.

Gunther Saacke

Gunther Saacke joined the Group in 2013 and is currently the CEO of Qatar Re, a post which he has held since he joined the Group. He has a Bachelor's degree in Philosophy from the Sorbonne University in France and a Magister Atrium from the University of Hamburg. He started his career in 1991 with Hannover Re. Since then, he has worked for a number of reinsurance companies gaining experience across all major property and casualty classes as well as in specialty lines. More recently, he worked as head of Reinsurance at Endurance in London and served as founding Chief Executive and Chief Underwriting Officer of Novae Re, a multi-line reinsurance operation in the Lloyd's market.

Stephen Redmond

Stephen Redmond joined the Group in 2014 following the acquisition of Antares and is currently the Managing Director of Antares. He holds a Fellowship of the Chartered Insurance Institute qualification. He commenced his career in insurance when he joined General Accident, attaining the position of Hull, Energy and Liability Manager in 1986. He joined Eagle Star in 1986 and, in 1994, assumed the position of Underwriting Manager within Eagle Star Re. He became Underwriting Director in 1996 and subsequently Underwriting and Claims Director. He joined Württembergische Versicherung AG in 1999, being promoted to Managing Director in 2002. He has been the Managing Director of Antares since it was launched at Lloyd's of London in 2007. He has also held numerous London market committee positions, including Chairman of the Institute of London Underwriters. He is currently Vice President of the Insurance Institute of London.

Executive committees

The Group has the following executive committees:

- Group Executive Management Committee, which is responsible for strategy and proposals for growth, direction, leadership and succession planning and assists the Group President & CEO in ensuring that the Group's strategies are executed and properly managed to protect and enhance shareholders' wealth;

- Group Risk Management Committee, which is responsible for encouraging and facilitating a culture of effective risk management throughout the Group and ensuring that there is a structure in place for the identification, assessment, evaluation, monitoring and reporting of various types of risks;
- Group Technical Governance Committee, which is responsible for providing the most suitable reinsurance structure for the business and ensuring that the Group's underwriting strategy, practices and claim guidelines are properly managed and continuously improved to enable the Group to meet its legal and regulatory obligations;
- Group Reserving Committee, which is responsible for reviewing and considering reserving in line with accounting policies and the regulatory environment; and
- Group IT Committee, which is responsible for recommending the yearly Group IT strategy aligned to the overall Group business strategy and directing and steering IT project development, security requirements and new initiatives proposed by Group IT.

Employees

As at 31 December 2016, the Group had 863 employees, compared to 783 as at 31 December 2015. The success of the Group is, in part, dependent on its ability to recruit, retain, train and motivate highly qualified and dedicated personnel.

All Group employees are compensated based on contractual terms and in accordance with the laws of the country in which they operate. The Group follows industry standard compensation practices with significant performance-based reward systems. The compensation structures are created based on the principle of compensating for role and performance and meeting industry standards. Within the GCC, the Group has developed an equity-based savings scheme for employees. For Group staff operating within Qatar Re and Antares, a performance-based bonus scheme with deferral components has been implemented. All employee compensation is industry-benchmarked regularly to ensure that the Group's compensation structures remain competitive.

The Group considers its relations with its employees to be good.

In relation to its operations in Qatar, QIC is guided in its human resources decisions by the Qatari government's recommended policy that 20.0 per cent. of its total personnel should consist of Qatari nationals and, in addition, certain management positions in Qatari companies are required under Qatari law to be filled by Qatari nationals. QIC's Qatarisation level as at 31 December 2016 was 25 per cent. and it is currently in compliance with all other applicable requirements as regards the employment of Qatari nationals.

OVERVIEW OF QATAR

Unless indicated otherwise, information in this section has been derived from Government publications.

Country Profile

Qatar is an independent state in the Southern Arabian Gulf. Qatar shares a land border and maritime boundaries with Saudi Arabia and maritime boundaries with Bahrain, the UAE and Iran. Qatar covers an area of approximately 11,493 square kilometres. Doha is the capital city of Qatar, the seat of government and Qatar's cultural, commercial and financial centre. It includes the country's main seaport and international airport and has an advanced road system linking it with the international road network.

Based on Qatar's 2015 Census, Qatar had a total population of 2,404,776 as at April 2015 indicating a 41.5 per cent. growth since the last census carried out in 2010 when, as at April 2010, Qatar had a total population of 1,699,435. A large portion of Qatar's population comprises non-Qatari nationals. According to the Ministry of Development Planning and Statistics, as at 31 October 2016 Qatar's population stood at 2,611,522. In terms of foreign relations and membership of international organisations, Qatar, along with Bahrain, Kuwait, Oman, Saudi Arabia and the UAE, is a member of the GCC. Furthermore, Qatar is a member of the Organization of the Petroleum Exporting Countries, the Gas Exporting Countries Forum (which was established in 2008 and has its headquarters in Doha) and the United Nations. Qatar is also a member of numerous international and multilateral organisations, including the International Monetary Fund, the International Bank for Reconstruction and Development, the World Trade Organisation, the League of Arab States, The Organisation of the Islamic Conference, the Multilateral Investment Guarantee Agency and UNESCO.

Legal System

Over the last decade, Qatar's legal system has been significantly reformed by the enactment of various pieces of legislation intended to bring Qatari laws in line with international laws, standards and practices. Qatar's civil code sets forth civil law principles, including with respect to conflict of laws, contracts, rights and obligations, security, ownership and torts. Qatar's commercial code addresses commercial affairs and entities, competition, commercial obligations and contracts and commercial paper. The commercial code also provides comprehensive provisions addressing bankruptcy matters, permitting creditors to file claims against any corporate entity, except for certain professional companies and other companies that are at least majority owned by the Government. Finally, the Commercial Companies Law addresses matters with respect to the ownership of shares, limited liability, capital contributions, payment of dividends, shareholder rights and obligations and general principles of corporate governance. The Government has passed other significant legislation in recent years, including the Foreign Investment Law, the Central Bank Law, the Money Laundering Law, the Doha Securities Market Law (now the Qatar Stock Exchange Law) and the Law of the Qatar Financial Centre (Law No.7 of 2005) (the "**QFC Law**"), as well as competition, intellectual property, labour, property and environmental laws. Following the establishment of the QFC in 2005, the QFC Law established a legal and regulatory regime to govern the QFC that is generally parallel to and separate from Qatari laws and the Qatari legal system, except for Qatari criminal law. The QFC has established its own rules and regulations applicable to, among others, financial services companies, and which cover such topics as employment, companies, anti-money laundering, contracts and insolvency. In accordance with the rules and regulations of the QFC, the Qatar Financial Centre Regulatory Authority regulates, authorises and supervises banking, financial and insurance related businesses carried on, in or from the QFC in accordance with legislative principles of an international standard, modelled closely on those used in London and other major financial centres. In addition, the Qatar International Court and Dispute Resolution Centre comprises the QFC

Civil and Commercial Court, the Regulatory Tribunal and a Dispute Resolution Centre. The QFC Civil and Commercial Court deals with matters arising under the QFC Law, the QFC Regulatory Tribunal hears appeals against the decisions of the QFC Authority and other QFC institutions and the Dispute Resolution Centre offers international arbitration and mediation services. The QCB Law gave the Governor of the QCB the responsibility for governance of the QFC.

Economic Overview

Qatar is one of the world's richest countries based on nominal GDP. According to the World Bank's World DataBank estimates, the total nominal GDP of Qatar was approximately QR 599 billion (U.S.$164 billion) for the year ended 31 December 2015 and QR 751 billion (U.S.$206 billion) for the year ended 31 December 2014. Nominal GDP per capita (on a purchasing power parity basis) was QR 132,937 (U.S.$36,521) for the year ended 31 December 2015. In recent years, Qatar has been one of the world's fastest growing economies. In 2015 and according to World DataBank estimates, Qatar's annual GDP growth rate was 3.6 per cent. This represented a decline in Qatar's annual GDP growth rate which had over the preceding three years, according to data from the World Databank, remained at or above 4 per cent.

Qatar's economic strength is driven by the country's abundant hydrocarbon reserves. Qatar has the third largest proven gas reserves in the world with 24.5 trillion cubic metres / 866.2 trillion cubic feet of natural gas (approximately 13.1 per cent. of overall global reserves as at year end 2015) and, as at year end 2015, Qatar's proven oil reserves amounted to approximately 25.7 billion barrels (*source: BP's Statistical Review of World Energy, June 2016*). Virtually all of Qatar's proven reserves of natural gas and condensate are located in the North Field, which is estimated by the U.S. Energy Information Administration to be the largest non-associated gas field in the world. Qatar has approximately 138 years of proven gas reserves at projected long-term production levels and is the largest exporter of liquefied natural gas ("**LNG**") in the world with a production capacity of 77 mtpa (equivalent to 1.3 million oil barrels per day).

According to QCN data, the mining and quarrying sector (which includes oil and gas) contributed 38.6 per cent. and 52.5 per cent. to Qatar's total nominal GDP for the years ended 31 December 2015 and 31 December 2014, respectively. The same sector also contributed significantly to the annual revenues of Qatar for the fiscal years ended 31 March 2015 and 31 March 2014, respectively. As Qatar reaches the end of its successful 20-year LNG development plan, LNG production is expected to plateau at a high, but steady, level over the next few years. Future growth in gas production is expected to come from the Barzan Project, which is a gas project under development to provide domestic pipeline gas. Qatar has focused on diversifying its economy in recent years in an effort to reduce its historical dependence on oil and gas revenues and in preparation for hosting the FIFA 2022 World Cup. The construction and real estate sectors have recently made substantial contributions to Qatar's economic growth and significant investments have been made to increase economic returns from, in particular, petrochemicals, financial services, infrastructure development and tourism. According to QCB data, nominal GDP attributable to the non-oil and gas sector was QR 367.9 billion (U.S.$101.1 billion), or 61.4 per cent. of Qatar's total nominal GDP, in 2015. In recent years, Qatar has focused on developing and exploiting its natural gas resources beyond the LNG industry by implementing a downstream strategy driven by opportunities to generate additional revenue from its existing oil and gas production. Qatar Petroleum has developed pipeline gas projects both for regional export markets and for domestic petrochemicals and industrial consumption. In addition, Qatar Petroleum is the majority shareholder in a number of industrial companies located primarily at Ras Laffan City and Mesaieed Industrial City, which use natural gas as feedstock and/or fuel to produce various value added products, such as petrochemicals, fertiliser, steel, iron and metal coating, both for domestic consumption and for export. Qatar has also invested in exploiting various gas-to-liquid ("**GTL**") technologies and has two joint venture projects currently in operation to generate GTL products like distillates.

Throughout a period characterised by rapid growth and development, Qatar has demonstrated fiscal responsibility by managing its budget and public finances prudently. Qatar has historically had low levels of indebtedness but there was an increase in indebtedness starting in 2009 and continuing through to 2012 mainly due to the Government support given to the commercial banking sector during the global financial crisis of 2008 and 2009 and the issuance of bonds and treasury bills by the QCB in 2010, 2011 and 2012 to absorb excess liquidity among domestic commercial banks and to develop a yield curve for riyal-denominated domestic bonds.

Following the global financial crisis, Qatar introduced a tighter regulatory framework for the banking sector in order to ensure that banks remain well capitalised and liquid. Banks must maintain a minimum capital adequacy ratio of 12.5 per cent. (including a 2.5 per cent. conservation buffer) and reserve requirements with the QCB of 4.75 per cent. of total deposits. As at September 2014, the total Tier 1 capital of Qatari banks exceeded 15 per cent. of risk-weighted assets and non-performing loans remained below 2 per cent. (*source: the International Monetary Fund's 2015 Article IV Consultation – staff report (IMF Country Report No. 15/86, March 2015)*).

The significant revenues generated by the oil and gas sector in recent years have historically provided sustained liquidity while ensuring sizeable surpluses in the fiscal and external accounts. Qatar has had budget surpluses since the fiscal year ended 31 March 2001, with an estimated budgeted surplus of QR7.0 billion (U.S.$1.9 billion) or 2.8 per cent. of total Government revenues for the fiscal year ended 31 March 2015 according to QCB data. Qatar adjusted its fiscal year to a 1 January - 31 December calendar year from 2016, from a 1 April - 31 March year, in order to better synchronise budgeting across Qatar and, more generally, to modernise Qatar's financial management system. Reflecting continued high levels of expenditure and the current low oil prices, the Government's budget was in deficit in each of the first three quarters of 2016. In recent years, Qatar has used its budget surpluses to diversify the economy through increased spending on infrastructure, social programmes, healthcare and education, which have modernised Qatar's economy. Qatar's economic growth has also enabled it to diversify its economy through domestic and international investment into different classes of assets. This diversification will be important to ensure the future growth of Government revenues as Government revenue from the oil and gas sector is expected to stabilise given the completion of several of the Government's long term hydrocarbon investment programmes. Nevertheless, the Government's strategy envisages continued infrastructural spending and investment in preparation for the hosting of the FIFA 2022 World Cup and to drive economic growth.

In 2005, the Qatar Investment Authority ("**QIA**") was established to propose and implement investments for Qatar's growing financial reserves, both domestically and abroad. Through the QIA, Qatar has invested in private equity, the banking sector, real estate, publicly traded securities and alternative assets. With its growing portfolio of international and domestic long-term strategic investments, the QIA has continued to develop Qatar's economic diversification strategy while contributing to the nation's significant economic expansion.

The International Monetary Fund's 2016 Article IV Consultation – staff concluding statement in January 2016 noted the following: (i) Qatar's macroeconomic performance is expected to remain resilient with growth moderating to about 2.7 per cent. in 2016 but picking up in 2017, reflecting expansion in the non-hydrocarbon sector; (ii) the central government surplus fell from 12.3 per cent. of GDP in 2014 to 1.2 per cent. in 2015 and government debt as a ratio of GDP moved from 32.3 per cent. to 34.9 per cent. of GDP during the same period. The authorities, unlike many other hydrocarbon exporting countries, financed the fiscal deficit mainly through domestic and foreign borrowing without drawing down their sovereign wealth fund; (iii) the decline in energy prices has reduced Qatar's current account surplus, from 24 per cent. in 2014 to 8.4 per cent. of GDP in 2015; (iv) in 2016, average inflation is expected to increase to 3 per cent.; (v) potential challenges include risks from public investments as, although the ongoing investment programme is essential for

development, it entails a risk of overheating the economy in the near term and potential resource misallocation and reduced expenditure efficiency in the medium term; and (vi) the main external risk remains the possibility of persistently lower energy prices coupled with the fact that further rises in the US interest rates may complicate efforts to bolster economic growth.

Qatar's National Vision 2030

In July 2008, the ruling family of Qatar and the Government implemented Qatar's National Vision 2030 (the "**National Vision**"). The National Vision is based around four pillars:

- human development: the development of Qatari people to sustain a prosperous society;
- social development: the development of a just and caring society based on high moral standards;
- economic development: the development of a competitive and diversified economy capable of meeting the needs of, and securing high standards of living for, the Qatari nation and future generations; and
- environmental development: the management of the environment to ensure harmony between economic growth, social development and environmental protection.

Annual Indicators

The following table sets forth the main economic indicators for Qatar for the years indicated (*Source: QCB Quarterly Statistical Bulletin, December 2016*).

	2013	**2014**	**2015**[(1)]
GDP (QR billion)	723.3	750.7	599.3
Growth Rate (%)	6.4	3.8	(20.2)
Mining and Quarrying Activities Share (%)	55.7	52.5	38.6
Growth Rate (%)	2.1	(2.2)	(41.3)
Non-Mining and Quarrying Activities (%)	44.3	47.5	61.4
Growth Rate (%)	12.3	11.3	3.2
GDP Per Capita (QR thousand)	361.0	338.7	245.8
CPI-Inflation (%)[(2)]	3.2	3.4	1.8

Notes:

(1) Preliminary Estimates

(2) On a yearly basis

OVERVIEW OF INSURANCE REGULATIONS IN QATAR

The Qatar Central Bank

The QCB was established in 1993 and operates in co-ordination with the Ministry of Finance. The QCB Law, which came into force in 2013, now regulates the activities of the QCB. The QCB is managed by a board of directors and is chaired by its Governor. The board of directors includes the Deputy Governor of the QCB and at least five other members, including representatives from the Ministry of Finance and the Ministry of Economy and Commerce. The representatives of both ministries hold the rank of undersecretary or higher.

In its supervisory capacity, the QCB oversees the activities of Qatar's commercial banks (both conventional and Islamic banks), non-bank financial institutions, insurance and re-insurance companies (outside the QFC) with a view to minimising banking and insurance risk in Qatar's financial sector.

The QCB Law transferred the insurance supervisory role to the QCB, which previously belonged to the Ministry of Economy and Commerce. Previously, local insurance companies set up outside the QFC were regulated by the statutes of a law that has been on the books since 1966.

Regulatory Responsibilities

In addition to its existing responsibilities for the supervision of banking and financial services institutions, the QCB acquired the task of licensing and supervision of insurance companies, reinsurance companies and insurance intermediaries that were previously licensed by the Ministry of Economy and Commerce. The QCB Law replaced the 1966 insurance law, which was widely seen as antiquated, and brought companies operating outside the QFC under the QCB's regulatory oversight. However, companies based in the QFC remained under the supervision of the Qatar Financial Centre Regulatory Authority.

Executive Insurance Instructions

In March 2016, the QCB issued the Executive Insurance Instructions (the "**Executive Insurance Instructions**") which came into force in April of the same year. The Executive Insurance Instructions were issued in accordance with the QCB Law. The Executive Insurance Instructions brought regulation for insurance companies operating in the Qatar in line with international industry standards and the Insurance Core Principles set by the International Association of Insurance Supervisors (IAIS).

The QCB Law and the Executive Insurance Instructions introduced rules and regulations on solvency and capital, internal controls, governance, risk management, own risk solvency assessment ("**orsa**"), and actuarial reporting of insurance companies.

The Executive Insurance Instructions also made it compulsory for each insurance firm operating in Qatar to appoint the following control functions; compliance, risk management, actuarial and internal audit.

Transitional Rules

Transitional provisions apply to insurers previously licensed by the Ministry of Economy and Commerce. These provide existing firms with time to comply with the new provisions of the QCB Law and the Executive Insurance Instructions. For internal control requirements (outsourcing obligations, the risk management strategy, orsa, actuarial reporting etc.), the transitional period is 12 months from the licence date. The conduct of business rules including product disclosure, sales and marketing and data protection requirements allow for a 12 month transition period as well. There is an exception for the on-line business, where an extended 2 years

is permitted to establish compliance. However, the prudential rules and solvency ratio requirements must be met from the date of implementation of the Executive Insurance Instructions along with the related reporting provisions to the QCB.

TERMS AND CONDITIONS OF THE NOTES

The following, except for paragraphs in italics, are the terms and conditions of the Notes which will be endorsed on each Certificate in definitive form (if issued).

The issue of the U.S.$450,000,000 Perpetual Subordinated Tier 2 Fixed Rate Reset Notes (the "**Notes**") was authorised by a resolution of the Board of Directors of Qatar Reinsurance Company Limited (the "**Issuer**") passed on 20 September 2016 and the guarantee of the Notes by Qatar Insurance Company S.A.Q. (the "**Guarantor**") was authorised by a resolution of the Board of Directors of the Guarantor passed on 18 October 2016. A fiscal agency agreement dated 13 March 2017 (the "**Fiscal Agency Agreement**") has been entered into in relation to the Notes between the Issuer, the Guarantor, Citibank, N.A., London Branch as fiscal agent, a paying agent, transfer agent and agent bank and Citigroup Global Markets Deutschland AG as registrar. The Notes have the benefit of a Deed of Covenant (the "**Deed of Covenant**") dated 13 March 2017 executed by the Issuer and the Guarantor relating to the Notes and the benefit of a Deed of Guarantee (the "**Deed of Guarantee**") dated 13 March 2017 executed by the Guarantor relating to the Notes. The fiscal agent, the paying agents, the agent bank, the registrar and any transfer agent for the time being are referred to below respectively as the "**Fiscal Agent**", the "**Paying Agents**", the "**Agent Bank**", the "**Registrar**" and the "**Transfer Agents**". "**Agents**" means the Fiscal Agent, the Paying Agents, the Agent Bank, the Registrar, the Transfer Agents and any other agent or agents appointed from time to time with respect to the Notes. The Fiscal Agency Agreement includes the form of the Notes. Copies of the Fiscal Agency Agreement, the Deed of Covenant and the Deed of Guarantee are available for inspection during normal business hours at the specified offices of the Fiscal Agent (being, as at the Issue Date, 6th Floor, Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB). The holders of the Notes are deemed to have notice of the Deed of Covenant, the Deed of Guarantee and all the provisions of the Fiscal Agency Agreement applicable to them.

1 Interpretation

Words and expressions defined in the Fiscal Agency Agreement shall have the same meanings where used in these Conditions unless the context otherwise requires or unless otherwise stated and provided that, in the event of any inconsistency between any such document and these Conditions, these Conditions will prevail. In addition, in these Conditions the following expressions have the following meanings:

An "**Accounting Event**" shall be deemed to occur if, as a result of a change in accounting principles or the application thereof which becomes effective on or after the Issue Date, but not otherwise, the obligations of the Issuer under the Notes must not or may no longer be recorded as "equity" in the next following audited annual financial statements of the Issuer or, as the case may be, in the audited annual consolidated financial statements of the Guarantor, prepared in accordance with International Financial Reporting Standards or any other accounting standards that the Issuer or the Guarantor (as applicable) applies in the preparation of its audited annual financial statements in accordance with Bermudian company law or Qatari commercial companies law (respectively) ("**Applicable Accounting Standards**");

"**Additional Amounts**" has the meaning set out in Condition 10;

"**Applicable Date**" has the meaning set out in Condition 5(b);

"**Authorised Signatory**" means any director of the Issuer or the Guarantor or any other person authorised by the Issuer or the Guarantor to sign any agreement, notice, certification or any other document in connection with the Notes, the Fiscal Agency Agreement, the Deed of Covenant or the Deed of Guarantee on behalf of the Issuer or the Guarantor, as the case may be;

"**Business Day**" means a day (other than a Friday, Saturday, Sunday or public holiday) on which commercial banks and foreign exchange markets are open for general business in London, Hamilton, Doha and New York;

"**Calculation Amount**" means U.S.$1,000 in principal amount;

A "**Capital Disqualification Event**" is deemed to have occurred if, as a result of any change to (or change to the interpretation by the Relevant Regulator or by any court or other authority entitled to do so of) the Relevant Rules then applicable to the Issuer or the Guarantor, the entire principal amount of the Notes ceases in full to count as Tier 2 Capital for the purposes of the Issuer (whether on a solo, group or consolidated basis) or the Group (on a group consolidated basis), except where such non-qualification is only as a result of any applicable limitation on the amount of such capital;

"**Certificates**" has the meaning set out in Condition 2;

"**Code**" has the meaning set out in Condition 9(b);

"**Deferred Interest**" has the meaning set out in Condition 7(f);

"**Dispute**" has the meaning set out in Condition 18(b);

"**Enhanced Capital Requirement**" means the 'enhanced capital requirement' as defined in section 1(1) of the Bermuda Insurance Act 1978, as amended, or any successor or equivalent requirement under the Relevant Rules applicable to the Issuer;

"**Equity Accounted Notes**" means Qualifying Tier 2 Notes the obligations of the Issuer in respect of which will be recorded as "equity" in the next following audited annual financial statements of the Issuer and the next following audited annual consolidated financial statements of the Guarantor, each as prepared in accordance with Applicable Accounting Standards;

"**First Call Date**" has the meaning set out in Condition 6(b);

"**Group**" means the Guarantor and its Subsidiaries comprising the group prudentially regulated as a group by the Relevant Regulator relating to the Guarantor, taken as a whole;

"**Guarantee**" has the meaning set out in Condition 5(a);

"**Guaranteed Amounts**" has the meaning set out in Condition 5(a);

"**Guarantor Compulsory Interest Payment Date**" means any Interest Payment Date (i) in respect of which during the immediately preceding 12-month period a Guarantor Compulsory Interest Payment Event has occurred; (ii) on which the relevant interest payment can be made without breach of the Guarantor Solvency Condition and (iii) which is not a Guarantor Mandatory Interest Deferral Date;

"**Guarantor Compulsory Interest Payment Event**" means:

(a) any declaration, payment or making of a dividend or distribution by the Guarantor to its ordinary shareholders; or

(b) any declaration, payment or making of a dividend, distribution or coupon on any other Guarantor Junior Obligations or any Guarantor Parity Obligations, except where such dividend, distribution or coupon was required to be declared, paid or made under, or in accordance with, the terms of such Guarantor Junior Obligations or such Guarantor Parity Obligations; or

(c) any repurchase by the Guarantor of its ordinary shares for cash, provided such repurchase is not made in the ordinary course of business of the Guarantor in connection with any share option scheme or

share ownership scheme for management or employees of the Guarantor or management or employees of affiliates of the Guarantor; or

(d) any redemption or repurchase by the Guarantor or any Subsidiary of the Guarantor of any Issuer Junior Obligations, Guarantor Junior Obligations, Issuer Parity Obligations or Guarantor Parity Obligations for cash, except a redemption required to be effected under, or in accordance with, the terms of such Issuer Junior Obligations, Guarantor Junior Obligations, Issuer Parity Obligations or Guarantor Parity Obligations;

"**Guarantor Junior Obligations**" means:

(a) all obligations of the Guarantor which constitute, and all claims relating to a guarantee or other like or similar undertaking or arrangement given or undertaken by the Guarantor in respect of any obligations of any other person which constitute, or (in either case) would but for any applicable limitation on the amount of such capital constitute, Tier 1 Capital (including, without limitation, by virtue of any grandfathering provisions under the Relevant Rules) and all obligations which rank, or are expressed to rank, *pari passu* therewith; and

(b) all classes of share capital of the Guarantor;

"**Guarantor Mandatory Deferred Interest Settlement Date**" means the date which is the earliest of:

(a) the next Interest Payment Date on which a payment under the Guarantee in respect of interest (in whole or in part) on the Notes is made (or is required to be made) by the Guarantor (other than a voluntary payment of Deferred Interest);

(b) the date on which a Guarantor Winding-Up occurs; or

(c) the date of any redemption or purchase of any Notes by or on behalf of the Guarantor or any of its Subsidiaries.

"**Guarantor Mandatory Interest Deferral Date**" means any date (i) in respect of which a Guarantor Regulatory Deficiency Deferral Event has occurred and is continuing or would occur if payment of Guaranteed Amounts in respect of interest was made in full on such date by the Guarantor or (ii) where payment of any Guaranteed Amount in respect of interest on that date by the Guarantor would (on the basis that the Notes and/or the Guarantee are intended to form part of the Tier 2 Capital of the Group under the Relevant Rules applicable to the Guarantor) breach the provisions of the Relevant Rules applicable to the Guarantor;

"**Guarantor Optional Guarantee Payment Date**" has the meaning set out in Condition 7(c);

"**Guarantor Parity Obligations**" means all subordinated obligations of the Guarantor which constitute, and all claims relating to a guarantee or other like or similar undertaking or arrangement given or undertaken by the Guarantor in respect of any obligations of any other person which constitute, or (in either case) would but for any applicable limitation on the amount of such capital constitute, Tier 2 Capital and all obligations which rank, or are expressed to rank, *pari passu* therewith;

A "**Guarantor Regulatory Deficiency Deferral Event**" will occur if the Group is failing to meet any Minimum Capital Requirement then applicable to it on a group consolidated basis;

"**Guarantor Senior Obligations**" means:

(a) all unsubordinated obligations of the Guarantor, including all obligations to policyholders of the Guarantor under their policies; and

(b) all other obligations of the Guarantor the claims in respect of which are, or are expressed to be, subordinated to the claims of other creditors of the Guarantor, other than claims in respect of Guarantor Parity Obligations or Guarantor Junior Obligations;

"**Guarantor Solvency Condition**" has the meaning set out in Condition 5(d);

"**Guarantor Winding-Up**" has the meaning set out in Condition 5(c);

"**Initial Fixed Interest Rate**" has the meaning set out in Condition 6(b);

"**Interest Payment Date**" has the meaning set out in Condition 6(a);

"**Interest Period**" means the period from (and including) the Issue Date to (but excluding) the first Interest Payment Date and each subsequent period from (and including) an Interest Payment Date to (but excluding) the immediately following Interest Payment Date;

"**Interest Rate**" means the Initial Fixed Interest Rate and/or the applicable Reset Rate of Interest, as the case may be;

"**Issue Date**" means 13 March 2017;

"**Issuer Compulsory Interest Payment Date**" means any Interest Payment Date (i) in respect of which during the immediately preceding 12-month period an Issuer Compulsory Interest Payment Event has occurred; (ii) on which the relevant interest payment can be made without breach of the Issuer Solvency Condition; and (iii) which is not an Issuer Mandatory Interest Deferral Date;

"**Issuer Compulsory Interest Payment Event**" means:

(a) any payment or making of a distribution or coupon on any Issuer Junior Obligations or any Issuer Parity Obligations, except (i) for any payment or making of a dividend or distribution by the Issuer to its ordinary shareholders or (ii) where such distribution or coupon was required to be paid or made under, or in accordance with, the terms of such Issuer Junior Obligations or such Issuer Parity Obligations; or

(b) any repurchase by the Issuer of its ordinary shares for cash; or

(c) any redemption or repurchase by the Issuer, the Guarantor or any Subsidiary of the Issuer of any other Issuer Junior Obligations or any Issuer Parity Obligations for cash, except a redemption required to be effected under, or in accordance with, the terms of such Issuer Junior Obligations or such Issuer Parity Obligations.

"**Issuer Junior Obligations**" means:

(a) all obligations of the Issuer which constitute, and all claims relating to a guarantee or other like or similar undertaking or arrangement given or undertaken by the Issuer in respect of any obligations of any other person which constitute, or (in either case) would but for any applicable limitation on the amount of such capital constitute, Tier 1 Capital (including, without limitation, by virtue of any grandfathering provisions under the Relevant Rules) and all obligations which rank, or are expressed to rank, *pari passu* therewith; and

(b) all classes of share capital of the Issuer.

"**Issuer Mandatory Deferred Interest Settlement Date**" means the date which is the earliest of:

(a) the next Interest Payment Date which is not an Issuer Mandatory Interest Deferral Date and on which a payment of interest (in whole or in part) in respect of the Notes is made (or is required to be made) by the Issuer (other than a voluntary payment of Deferred Interest);

(b) the date on which an Issuer Winding-Up occurs; or

(c) the date of any redemption or purchase of any Notes by or on behalf of the Issuer or any of its Subsidiaries;

"**Issuer Mandatory Interest Deferral Date**" means any date:

(a) in respect of which an Issuer Regulatory Deficiency Deferral Event has occurred and is continuing or would occur if payment of interest was made in full on such date by the Issuer; or

(b) where payment of interest in full on that date by the Issuer would (on the basis that the Notes are intended to form part of the Tier 2 Capital of the Issuer under the Relevant Rules applicable to the Issuer) breach the provisions of the Relevant Rules applicable to the Issuer; or

(c) in respect of which a Guarantor Regulatory Deficiency Deferral Event has occurred and is continuing or would occur if payment of interest or Guaranteed Amounts in respect thereof was made in full on such date by the Issuer or the Guarantor, respectively; or

(d) where payment of interest or Guaranteed Amounts in respect thereof in full on that date by the Issuer or the Guarantor, respectively, would (on the basis that the Notes and/or the Guarantee are intended to form part of the Tier 2 Capital of the Group under the Relevant Rules applicable to the Guarantor) breach the provisions of the Relevant Rules applicable to the Guarantor;

"**Issuer Optional Interest Payment Date**" has the meaning set out in Condition 7(a);

"**Issuer Parity Obligations**" means all subordinated obligations of the Issuer which constitute, and all claims relating to a guarantee or other like or similar undertaking or arrangement given or undertaken by the Issuer in respect of any obligations of any other person which constitute, or (in either case) would but for any applicable limitation on the amount of such capital constitute, Tier 2 Capital and all obligations which rank, or are expressed to rank, *pari passu* therewith;

An "**Issuer Regulatory Deficiency Deferral Event**" will occur if any of the Issuer or any Subsidiary of the Issuer that is registered as an insurer under the Bermuda Insurance Act is failing to meet any Enhanced Capital Requirement then applicable to it, whether on a solo, group or consolidated basis;

"**Issuer Senior Obligations**" means:

(a) all unsubordinated obligations of the Issuer, including all obligations to policyholders of the Issuer under their policies; and

(b) all other obligations of the Issuer the claims in respect of which are, or are expressed to be, subordinated to the claims of other creditors of the Issuer, other than claims in respect of Issuer Parity Obligations or Issuer Junior Obligations;

"**Issuer Solvency Condition**" has the meaning set out in Condition 4(c);

"**Issuer Winding-Up**" has the meaning set out in Condition 4(b);

"**LCIA**" has the meaning set out in Condition 18(b);

"**LIBOR**" means the London interbank offered rate;

"**Margin**" means 2.786 per cent.;

"**Minimum Capital Requirement**" means the 'minimum capital requirement' applicable to the Group (on a group consolidated basis) under Part 9.2 of the QCB Executive Insurance Instructions of March 2016 or any successor or equivalent requirement under the Relevant Rules applicable to the Guarantor;

"**Noteholder**" and "**holder**" have the meaning set out in Condition 2;

"**Proceedings**" has the meaning set out in Condition 18(d);

"**QCB**" means the Qatar Central Bank;

"**Qualifying Tier 2 Notes**" means notes which:

(a) have terms not materially less favourable to investors as the Notes, as determined by the Issuer and the Guarantor in consultation with an independent investment bank or other independent adviser of recognised standing;

(b) (subject to (a) above) qualify as Tier 2 Capital of the Issuer (on a solo, group and/or consolidated basis) under the Relevant Rules applicable to the Issuer and as Tier 2 Capital of the Group (on a group consolidated basis) under the Relevant Rules applicable to the Guarantor;

(c) are listed on the official list of the Irish Stock Exchange and admitted to trading on its regulated market or listed and/or admitted to trading on such other internationally recognised stock exchange or other exchange platform in an Organisation for Economic Co-operation and Development country as is selected by the Issuer and the Guarantor; and

(d) will have at least the same credit rating as the credit rating ascribed to the Notes by each Rating Agency immediately prior to such substitution or variation;

"**Rating Agency**" means Standard & Poor's Credit Market Services Europe Limited or any successor thereof and/or any other rating agency within the same group which assigns a rating to the Notes at the request of the Issuer and/or the Guarantor;

"**Rating Agency Compliant Notes**" means Qualifying Tier 2 Notes which will achieve from the Rating Agency under the methodology applied by the Rating Agency to the Guarantor a higher level of equity credit than the equity credit assigned by the Rating Agency to the Notes immediately prior to the substitution or variation of the Notes (which may, in the absolute discretion of the Issuer and the Guarantor, be lower than the equity credit assigned to the Notes by the Rating Agency at or around the Issue Date);

A "**Ratings Methodology Event**" will be deemed to occur upon a change in, or clarification to, the methodology applied by the Rating Agency to the Guarantor (or in the interpretation of such methodology) as a result of which the equity content assigned by the Rating Agency to the Notes is, as notified by the Rating Agency to the Issuer or the Guarantor or as published by the Rating Agency, reduced when compared to the equity content assigned by the Rating Agency to the Notes on or around the Issue Date;

"**Record Date**" has the meaning set out in Condition 9(a)(ii);

"**Reference Rate**" means, in respect of a Reset Period:

(i) the applicable mid-swap rate for swap transactions in U.S. dollars with a maturity equal to five years (quoted on a semi-annual basis) as displayed on the Screen Page at 11.00 a.m. (in New York) on the relevant Reset Interest Determination Date; or

(ii) if such rate is not displayed on the Screen Page at such time and date, the Reset Reference Bank Rate on the relevant Reset Interest Determination Date,

where:

"**30/360**" means, with respect to any period, the number of days in such period to (but excluding) the relevant payment date, divided by 360, calculated on the basis of a year of 360 days with twelve 30-day months;

"**Actual/360**" means, with respect to any period, the actual number of days in such period to (but excluding) the relevant payment date, divided by 360;

"**Mid-Swap Quotations**" means the arithmetic mean of the bid and offered rates for the semi-annual fixed leg (calculated on a 30/360 day count basis) of a fixed for floating interest rate swap transaction in U.S. dollars which (a) has a term commencing on the relevant Reset Date which is equal to five years; (b) is in an amount that is representative of a single transaction in the relevant market at the relevant time with an acknowledged dealer of good credit in the relevant swap market; and (c) has a floating leg based on the 3-month LIBOR rate (calculated on an Actual/360 day count basis);

"**Reset Reference Banks**" means five leading swap dealers in the principal interbank market relating to U.S. dollars selected by the Agent Bank in its discretion after consultation with the Issuer;

"**Reset Reference Bank Rate**" means the percentage rate determined on the basis of the Mid-Swap Quotations provided by the Reset Reference Banks to the Agent Bank at or around 11:00 a.m. in New York on the relevant Reset Interest Determination Date and rounded, if necessary, to the nearest 0.001 per cent. (0.0005 per cent. being rounded upwards). If at least four quotations are provided, the Reset Reference Bank Rate will be the rounded arithmetic mean of the quotations provided, eliminating the highest quotation (or, in the event of equality, one of the highest) and the lowest quotation (or, in the event of equality, one of the lowest). If only two or three quotations are provided, the Reset Reference Bank Rate will be the rounded arithmetic mean of the quotations provided. If only one quotation is provided, the Reset Reference Bank Rate will be the rounded quotation provided. If no quotations are provided, the Reset Reference Bank Rate will be (i) in the case of each Reset Period other than the Reset Period commencing on the First Call Date, the Reset Reference Bank Rate in respect of the immediately preceding Reset Period or (ii) in the case of the Reset Period commencing on the First Call Date, an amount equal to the Initial Fixed Interest Rate less 2.786 per cent.; and

"**Screen Page**" means Reuters screen page "ICE SWAP 1", or such other screen page as may replace it on Thomson Reuters or, as the case may be, on such other information service that may replace Thomson Reuters, in each case, as may be nominated by the person providing or sponsoring the information appearing there for the purpose of displaying comparable rates;

"**Register**" has the meaning set out in Condition 2;

"**Relevant Date**" has the meaning set out in Condition 10;

"**Relevant Regulator**" means:

(a) in relation to the Issuer, the Bermuda Monetary Authority (or any replacement or successor authority having primary responsibility for the prudential supervision of the Issuer); and

(b) in relation to the Guarantor, the QCB (or any replacement or successor authority having primary responsibility for the prudential supervision of the Guarantor and the Group).

"**Relevant Rules**" means at any time, any legislation, rules or regulations:

(a) in relation to the Issuer, of Bermuda or the Relevant Regulator of the Issuer (including, without limitation, the Bermuda Insurance Act 1978, as amended, the Bermuda Insurance (Eligible Capital) Rules 2012, as amended, the Bermuda Insurance (Group Supervision) Rules 2011, as amended and the

Bermuda Insurance (Prudential Standards) (Insurance Group Solvency Requirement) Rules 2011, as amended, or any successor or equivalent legislation); or

(b) in relation to the Guarantor or the Group, Qatar or of the Relevant Regulator of the Guarantor (including Qatar Law No.13 of 2012 (the QCB law), the QCB Executive Insurance Instructions of March 2016 or any successor or equivalent legislation),

in each case which are then applicable to the Issuer or the Guarantor (as the case may be) and which relate to the characteristics, features or criteria of regulatory capital or capital resources;

"**Reset Date**" means the First Call Date and every fifth anniversary of the First Call Date;

"**Reset Interest Determination Date**" means, with respect to a Reset Period, the calendar day falling two U.S. Government Securities Business Days prior to the first day of such Reset Period;

"**Reset Period**" means each period from, and including, a Reset Date to, but excluding the next succeeding Reset Date;

"**Reset Rate of Interest**" has the meaning set out in Condition 6(c);

"**Rights and Claims against the Issuer**" has the meaning set out in Condition 11(c)(ii);

"**Rules**" has the meaning set out in Condition 18(b);

"**Subsidiary**" means, with respect to the Issuer or the Guarantor, any entity whose financial statements at any time are required by law or in accordance with generally accepted accounting principles to be fully consolidated with those of the Issuer or the Guarantor, respectively;

"**Substitute Obligor**" has the meaning set out in Condition 14(c);

"**Substituted Territory**" has the meaning set out in Condition 14(c)(iv);

"**Successor in Business**" means, in relation to the Guarantor, any company which as a result of any amalgamation, merger or reconstruction, beneficially owns the whole or substantially the whole of the undertaking, property and assets owned by the Guarantor prior to such amalgamation, merger, reconstruction or agreement coming into force and carries on as successor to the Guarantor the whole or substantially the whole of the business carried on by the Guarantor immediately prior thereto;

A "**Tax Event**" will occur if:

(a) as a result of a change in or amendment to the laws or regulations of (in relation to the Issuer) Bermuda or (in relation to the Guarantor) Qatar or (in either case) any political subdivision or authority therein or thereof having the power to tax, including any treaty to which Bermuda or Qatar (as applicable) is a party, or any change in the application or official interpretation of such laws, including a decision of any court or tribunal, or any interpretation or pronouncement by any relevant Bermudian or Qatari tax authority that provides for a position with respect to such laws or regulations that differs from the previously generally accepted position in relation to similar transactions (in respect of securities similar to the Notes and which are capable of constituting Tier 2 Capital under the Relevant Rules applicable at issuance), which change or amendment becomes effective, or in the case of a change in law if such change is enacted by way of primary or secondary legislation, on or after the Issue Date of the Notes:

(i) in making any payments on the Notes, the Issuer has paid or will or would on the next payment date be required to pay Additional Amounts on the Notes; or

(ii) the Guarantor is or will be unable to procure payment by the Issuer and, in making payment under the Guarantee, the Guarantor has paid or will or would on the next payment date be required to pay Additional Amounts,

and, in each case, the effect of the foregoing cannot be avoided by the Issuer or, as the case may be, the Guarantor taking reasonable measures available to it; or

(b) both:

(i) in making any payments under the Guarantee, the Guarantor has paid or will or would on the next payment date (on the assumption that the Guarantor is required to make payment on such date) be required to pay Additional Amounts as a result of withholding for or on account of Qatari tax as a result of Qatar no longer holding a direct or indirect stake in the Guarantor; and

(ii) the rate of withholding tax required to be applied under (b)(i) above is higher than the rate which would (if Qatar did not hold any stake in the Guarantor as at the Issue Date) be applicable as at the Issue Date.

The rate of withholding tax which is expected to be applicable as at the Issue Date for the purposes of (b)(ii) above is 7 per cent.;

"**Tier 1 Capital**" has the meaning set out in the Relevant Rules applicable to the Issuer or the Guarantor, as applicable, from time to time;

"**Tier 2 Capital**" has the meaning set out in the Relevant Rules applicable to the Issuer or the Guarantor, as applicable, from time to time;

"**U.S. dollars**" and "**U.S.$**" means United States Dollars, the legal currency of the United States of America; and

"**U.S. Government Securities Business Days**" means any day except for a Saturday, Sunday or a day on which the Securities Industry and Financial Markets Association recommends that the fixed income department of its members be closed for the entire day for purposes of trading in U.S. government securities.

2 Form, Specified Denomination and Title

The Notes are issued in the specified denomination of U.S.$200,000 and higher integral multiples of U.S.$1,000.

The Notes are represented by registered certificates ("**Certificates**") and, save as provided in Condition 3(a), each Certificate shall represent the entire holding of Notes by the same holder.

Title to the Notes shall pass by registration in the register that the Issuer shall procure to be kept by the Registrar outside of the United Kingdom in accordance with the provisions of the Fiscal Agency Agreement (the "**Register**"). Except as ordered by a court of competent jurisdiction or as required by law, the holder (as defined below) of any Note shall be deemed to be and may be treated as its absolute owner for all purposes whether or not it is overdue and regardless of any notice of ownership, trust or an interest in it, any writing on the Certificate representing it or the theft or loss of such Certificate and no person shall be liable for so treating the holder.

In these Conditions, "**Noteholder**" and, in respect of a Note, "**holder**" means the person in whose name a Note is registered in the Register.

3 Transfers of Notes

(a) Transfer

A holding of Notes may, subject to Condition 3(d), be transferred in whole or in part upon the surrender (at the specified office of the Registrar or any Transfer Agent) of the Certificate(s) representing such Notes to be transferred, together with the form of transfer endorsed on such Certificate(s) (or another form of transfer substantially in the same form and containing the same representations and certifications (if any), unless otherwise agreed by the Issuer), duly completed and executed and any other evidence to entitlement as the Registrar or Transfer Agent may reasonably require.

In the case of a transfer of part only of a holding of Notes represented by one Certificate, a new Certificate shall be issued to the transferee in respect of the part transferred and a further new Certificate in respect of the balance of the holding not transferred shall be issued to the transferor. In the case of a transfer of Notes to a person who is already a holder of Notes, a new Certificate representing the enlarged holding shall only be issued against surrender of the Certificate representing the existing holding.

All transfers of Notes and entries on the Register will be made in accordance with the detailed regulations concerning transfers of Notes scheduled to the Fiscal Agency Agreement. The regulations may be changed by the Issuer, with the prior written approval of the Registrar and the Fiscal Agent. A copy of the current regulations will be made available by the Registrar to any Noteholder upon request.

(b) Delivery of New Certificates

Each new Certificate to be issued pursuant to Condition 3(a) shall be available for delivery within three business days of receipt of a duly completed form of transfer and surrender of the existing Certificate(s). Delivery of the new Certificate(s) shall be made at the specified office of the Transfer Agent or of the Registrar (as the case may be) to whom delivery or surrender of such form of transfer and Certificates shall have been made or, at the option of the holder making such delivery or surrender as aforesaid and as specified in the relevant form of transfer or otherwise in writing, be mailed by uninsured post at the risk of the holder entitled to the new Certificate to such address as may be so specified, unless such holder requests otherwise and pays in advance to the relevant Transfer Agent or the Registrar (as the case may be) the costs of such other method of delivery and/ or such insurance as it may specify. In this Condition 3(b), "**business day**" means a day, other than a Saturday or Sunday, on which banks are open for business in the place of the specified office of the relevant Transfer Agent or the Registrar (as the case may be).

(c) Transfer Free of Charge

Certificates, on transfer, shall be issued and registered without charge by or on behalf of the Issuer, the Registrar or any Transfer Agent, but upon payment of any tax or other governmental charges that may be imposed in relation to such transfer (or the giving of such indemnity as the Registrar or the relevant Transfer Agent may require).

(d) Closed Periods

No Noteholder may require the transfer of a Note to be registered (i) during the period of 15 days prior to (and including) any date on which Notes may be called for redemption by the Issuer at its option pursuant to Condition 8(b), (ii) after any such Note has been called for redemption, (iii) during the period of 15 days prior to (and including) any due date for the payment of principal, interest or Deferred Interest, or (iv) during the period of seven days ending on (and including) any Record Date.

4 Status of the Notes

(a) Status

The Notes constitute direct, unsecured and subordinated obligations of the Issuer and rank *pari passu* and without any preference among themselves. The rights and claims against the Issuer in respect of the Notes are subordinated as described in this Condition 4.

No collateral or other security is or will be given for the payment obligations of the Issuer or the Guarantor under the Notes or the Guarantee and any collateral, guarantee or other security that may have been or may in the future be given in connection with other indebtedness of the Issuer or the Guarantor shall not secure the payment obligations under the Notes or the Guarantee.

(b) Subordination and rights on an Issuer Winding-Up

If:

(i) an order is made, or an effective resolution is passed, for the winding-up, dissolution or liquidation of the Issuer (except, in any such case, a solvent winding-up solely for the purpose of a reconstruction, amalgamation or substitution of the Issuer, the terms of which have previously been approved by an Extraordinary Resolution (as defined in the Fiscal Agency Agreement) of the Noteholders); or

(ii) a provisional liquidator, receiver, administrator or similar officer is appointed in respect of the Issuer and has given notice that it intends to declare and pay dividend,

(the events in (i) and (ii) each being an "**Issuer Winding-Up**"), the rights and claims (if any) against the Issuer in respect of or arising under the Notes will be as set out in Condition 11(c) or Condition 11(d), as applicable, and such rights and claims will be subordinated in right of payment and will rank:

(A) in priority to claims in respect of Issuer Junior Obligations;

(B) *pari passu* among themselves and *pari passu* with claims in respect of all other Issuer Parity Obligations; and

(C) junior to claims in respect of all Issuer Senior Obligations,

and accordingly all claims in respect of the Notes in an Issuer Winding-Up shall be conditional upon all claims in respect of all Issuer Senior Obligations which have been admitted in the Issuer Winding-Up having first been satisfied (or provided for) in full, such that amounts will become payable in the Issuer Winding-Up in respect of the Notes only if and to the extent that the same can be paid and there shall remain thereafter sufficient assets to satisfy in full all claims so admitted in respect of all Issuer Senior Obligations.

(c) Issuer Solvency Condition

Except in an Issuer Winding-Up (in which event Condition 4(b) above and Condition 11(c) or Condition 11(d) (as applicable) and Condition 11(e) below shall apply), all payments by the Issuer under or arising from the Notes (including any damages awarded for breach of any obligations in respect thereof) shall be conditional upon the Issuer being solvent at the time for payment by the Issuer, and no amount shall be payable by the Issuer unless and until such time as the Issuer could make such payment and still be solvent immediately thereafter (the "**Issuer Solvency Condition**").

For the purposes of this Condition 4(c), the Issuer will be solvent if (i) it is able to pay its debts in respect of Issuer Senior Obligations and Issuer Parity Obligations as they fall due and (ii) its assets exceed its liabilities (other than liabilities in respect of Issuer Junior Obligations).

A certificate as to solvency of the Issuer signed by two Authorised Signatories of the Issuer or, if there is a winding-up of the Issuer, by two authorised signatories of the liquidator or, as the case may be, the administrator or other insolvency official of the Issuer shall, in the absence of manifest error, be treated and accepted by the Issuer, the Guarantor, the Noteholders and all other interested parties as correct and sufficient evidence thereof, and shall be binding on all such persons.

The Issuer shall notify the Fiscal Agent and the Registrar in writing and notify the Noteholders in accordance with Condition 16 as soon as reasonably practicable after it has determined that any payment (in whole or in part) will be deferred due to the operation of the Issuer Solvency Condition (provided that, for the avoidance of doubt, any delay in giving such notice shall not result in such payment becoming due on the scheduled payment date).

(d) **Set-off**

Subject to applicable law, no Noteholder may exercise, claim or plead any right of set-off, counterclaim, abatement, compensation, retention or other similar remedy which it might otherwise have under applicable law in respect of any amount owed to it by the Issuer or the Guarantor arising under or in connection with the Notes or the Guarantee and each Noteholder shall be deemed, to the extent permitted by law, to have unconditionally and irrevocably waived all such rights of set-off, counterclaim, abatement, compensation, retention or other similar remedy. Notwithstanding the preceding sentence, if any of the rights and claims of any Noteholder in respect of or arising under the Notes or the Guarantee are discharged by set-off, then to the extent permitted by law such Noteholder will immediately pay an amount equal to the amount of such discharge to the Issuer or the Guarantor or the relevant insolvency official of the Issuer or the Guarantor (as applicable) and, until such time as payment is made, will hold a sum equal to such amount on trust for the same. Accordingly, subject to applicable law, such discharge will be deemed not to have taken place.

5 Guarantee

(a) **Guarantee**

Pursuant to the Deed of Guarantee, the Guarantor has (subject as provided in Conditions 5(c), 5(d), 7(c), 7(d), 8(d), 8(e) and 11) irrevocably guaranteed on a subordinated basis the due and punctual payment of all principal, interest and other sums from time to time which are (or are deemed under Condition 5(b) to be) due and payable by the Issuer in respect of the Notes ("**Guaranteed Amounts**"). The obligations of the Guarantor under such guarantee (the "**Guarantee**") constitute direct, unsecured and subordinated obligations of the Guarantor.

(b) **Due and Payable**

For the purpose only of determining whether any Guaranteed Amount is from time to time due and payable by the Issuer for the purposes of the obligations of the Guarantor under the Guarantee, any amount of principal, interest and Deferred Interest shall be deemed to be due and payable by the Issuer on the Applicable Date regardless of whether the Issuer elects, or is required as a result of the application of the Issuer Solvency Condition or any of Conditions 7(a), 7(b), 8(d) and 8(e), to defer payments of any principal, interest or Deferred Interest, provided that if any such amount is paid by the Guarantor under the Guarantee, such payment by the Guarantor shall be treated (to the extent of the amount paid) as satisfying any Noteholder's right to payment of any such amount under the Notes.

For the purposes of this Condition 5(b), "**Applicable Date**" means the date on which any amount of principal, interest and/or Deferred Interest (i) becomes due and payable by the Issuer or (ii) would have become due and payable by the Issuer had the Issuer not deferred payment of the same pursuant to and in accordance with these Conditions.

(c) **Subordination**

If:

(i) any order is made by any competent court or resolution passed for the winding-up, dissolution or liquidation of the Guarantor; or

(ii) the QCB and/or any successor entity having primary supervisory authority with respect to the Guarantor in Qatar has assumed administration of the Guarantor, has revoked the insurance licence of the Guarantor or has issued an order to liquidate the Guarantor; or

(iii) a receiver, administrator or provisional liquidator has been appointed in respect of the Guarantor and has given notice that it intends to declare and pay a dividend; or

(iv) any event occurs which under the laws of Qatar or any other jurisdiction has an analogous effect to any of the foregoing events,

except, in any such case, a solvent winding-up or analogous event solely for the purpose of a reconstruction, amalgamation or substitution of the Guarantor, the terms of which have previously been approved by an Extraordinary Resolution of the Noteholders,

(each such event a "**Guarantor Winding-Up**"), the rights and claims against the Guarantor in respect of or arising under the Notes and the Guarantee will be as set out under Condition 11(d) below and will be subordinated in right of payment and will rank:

(A) in priority to claims in respect of Guarantor Junior Obligations;

(B) *pari passu* among themselves and *pari passu* with claims in respect of all other Guarantor Parity Obligations; and

(C) junior to claims in respect of all Guarantor Senior Obligations,

and accordingly the claims of holders in respect of their Notes in a Guarantor Winding-Up shall be conditional upon all claims in respect of all Guarantor Senior Obligations which have been admitted in the Guarantor Winding-Up having first been satisfied (or provided for) in full, such that amounts will become payable in the Guarantor Winding-Up in respect of the Notes and the Guarantee only if and to the extent that the same can be paid and there shall remain thereafter sufficient assets to satisfy in full all claims so admitted in respect of all Guarantor Senior Obligations.

(d) **Guarantor Solvency Condition**

Except in a Guarantor Winding-Up (in which event Condition 5(c) above and Condition 11(d) below shall apply), all payments under or arising from the Guarantee (including any damages awarded for breach of any obligations in respect thereof) shall be conditional upon the Guarantor being solvent at the time for payment by the Guarantor, and no amount shall be payable under or arising from the Guarantee unless and until such time as the Guarantor could make such payment and still be solvent immediately thereafter (the "**Guarantor Solvency Condition**").

For the purposes of this Condition 5(d), the Guarantor will be solvent if (i) it is able to pay its debts in respect of Guarantor Senior Obligations and Guarantor Parity Obligations as they fall due and (ii) its assets exceed its liabilities (other than liabilities in respect of Guarantor Junior Obligations).

A certificate as to solvency of the Guarantor signed by two Authorised Signatories of the Guarantor or, if there is a winding-up of the Guarantor, by two authorised signatories of the liquidator or, as the case may be, the administrator or other insolvency official of the Guarantor shall, in the absence of manifest error, be treated and accepted by the Issuer, the Guarantor, the Noteholders and all other interested parties as correct and sufficient evidence thereof, and shall be binding on all such persons.

The Guarantor shall notify the Fiscal Agent and the Registrar in writing and notify the Noteholders in accordance with Condition 16 as soon as reasonably practicable after it has determined that any payment (in whole or in part) will be deferred due to the operation of the Guarantor Solvency Condition (provided that, for the avoidance of doubt, any delay in giving such notice shall not result in such payment becoming due on the scheduled payment date).

(e) **Claims of Guarantor against the Issuer**

Save in the case of an Issuer Winding-Up and/or a Guarantor Winding-Up (in which event Condition 11(e) and the corresponding provisions of the Deed of Guarantee shall apply), so long as any sum remains payable under the Notes or the Guarantee, the Guarantor shall not exercise or enforce any right, by reason of the performance of any of its obligations under the Guarantee, to be indemnified by the Issuer or to take the benefit of or enforce any security or other guarantee or indemnity in relation to any claims arising out of such performance.

6 Interest

(a) **Interest Rate and Calculation of Interest Amounts**

Each Note bears interest on its principal amount at the applicable Interest Rate from (and including) the Issue Date in accordance with provisions of this Condition 6.

Subject to deferral in accordance with any of Conditions 4(c), 5(d) and 7, interest shall be payable on the Notes in equal instalments semi-annually in arrear on 13 March and 13 September, commencing on 13 September 2017 (each, an "**Interest Payment Date**") in each case as provided in this Condition 6.

Interest in respect of any Note shall be calculated per Calculation Amount and (subject as provided above as regards equal instalments) shall be equal to the product of the Calculation Amount, the applicable Interest Rate and the day count fraction (as described below), rounding the resultant figure to the nearest cent (half a cent being rounded upwards). The amount of interest payable (subject to deferral as provided above) in respect of a Note shall be the aggregate of the amounts (calculated as aforesaid) for each Calculation Amount comprising the denomination of the Note.

Where it is necessary to compute an amount of interest in respect of any Note for a period which is not a complete Interest Period, the relevant amount of interest shall be determined on the day count fraction basis of a 360-day year consisting of 12 months of 30 days each and, in the case of an incomplete month, the number of days elapsed.

(b) **Initial Fixed Interest Rate**

The Notes will bear interest at the rate of 4.950 per cent. per annum (the "**Initial Fixed Interest Rate**") from (and including) the Issue Date to (but excluding) 13 September 2022 (the "**First Call Date**").

(c) **Reset Rate of Interest**

The Interest Rate will be reset (each a "**Reset Rate of Interest**") in accordance with this Condition 6 on each Reset Date. The Reset Rate of Interest in respect of a Reset Period will be determined by the Agent Bank on the Reset Interest Determination Date applicable to such Reset Period as the sum of the applicable Reference Rate for the relevant Reset Period and the Margin.

(d) **Determination of Reset Rate of Interest**

The Agent Bank will, as soon as practicable after 11.00 a.m. (New York time) on each Reset Interest Determination Date, determine the Reset Rate of Interest in respect of the new Reset Period. The determination of the Reset Rate of Interest by the Agent Bank shall (in the absence of manifest error) be final and binding upon all parties.

(e) **Publication of Reset Rate of Interest**

The Agent Bank shall cause notice of the Reset Rate of Interest determined in accordance with this Condition 6 in respect of each Reset Period to be given to the Fiscal Agent, the Registrar and each of the Transfer Agents, any stock exchange on which the Notes are for the time being listed or admitted to trading or any listing agent appointed in relation to such stock exchange and, in accordance with Condition 16, the Noteholders, in each case as soon as practicable after its determination but in any event not later than the second Business Day thereafter.

If the Notes become due and payable pursuant to Condition 11, the accrued interest per Calculation Amount and each Reset Rate of Interest shall nevertheless continue to be calculated as previously by the Agent Bank in accordance with this Condition 6 but no publication of any Reset Rate of Interest need be made.

(f) **Agent Bank and Reset Reference Banks**

The Issuer will maintain an Agent Bank. The name of the initial Agent Bank is set out above.

The Issuer may from time to time replace the Agent Bank with another leading investment, merchant or commercial bank, financial institution or independent adviser of recognised standing and appropriate expertise in London or New York. If the Agent Bank is unable or unwilling to continue to act as the Agent Bank or fails duly to determine the Reset Rate of Interest in respect of any Reset Period as provided in Condition 6(d), the Issuer shall forthwith appoint another leading investment, merchant or commercial bank, financial institution or independent adviser of recognised standing and appropriate expertise in London or New York to act as such in its place. The Agent Bank may not resign its duties or be removed without a successor having been appointed as aforesaid.

(g) **Determinations of Agent Bank Binding**

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition 6 by the Agent Bank, shall (in the absence of manifest error) be binding on the Issuer, the Guarantor, the Agent Bank, the Fiscal Agent, the Paying Agents, the Registrar, the Transfer Agents and all Noteholders and (in the absence of wilful default or gross negligence) no liability shall attach to the Agent Bank in connection with the exercise or non-exercise by it of any of its powers, duties and discretions.

7 Deferral of Interest

(a) Issuer Optional Interest Payment

In respect of any Interest Payment Date that is neither an Issuer Compulsory Interest Payment Date nor an Issuer Mandatory Interest Deferral Date (an "**Issuer Optional Interest Payment Date**"), the Issuer may elect, by notice to the Noteholders, the Fiscal Agent and the Registrar pursuant to Condition 7(i), to defer payment of all (or some only) of the interest accrued in respect of the Notes on that Interest Payment Date and the Issuer shall not have any obligation to make payment of the amount so deferred on that Interest Payment Date.

(b) Issuer Mandatory Interest Deferral

Payment of interest on the Notes by the Issuer will be mandatorily deferred in full on each Issuer Mandatory Interest Deferral Date. The Issuer shall notify the Noteholders, the Fiscal Agent and the Registrar of any Issuer Mandatory Interest Deferral Date in accordance with Condition 7(i) (provided that failure to make such notification shall not oblige the Issuer to make payment of such interest, or cause the same to become due and payable by the Issuer, on such date).

A certificate signed by two Authorised Signatories of the Issuer and delivered to the Fiscal Agent confirming that (a) an Issuer Regulatory Deficiency Deferral Event has occurred and is continuing, or would occur if payment of interest on the Notes were to be made or (b) an Issuer Regulatory Deficiency Deferral Event has ceased to occur and/or payment of interest on the Notes would not result in an Issuer Regulatory Deficiency Deferral Event occurring, shall, in the absence of manifest error, be treated and accepted by the Issuer, the Guarantor, the Fiscal Agent, the Noteholders and all other interested parties as correct and sufficient evidence thereof, and shall be binding on all such persons.

(c) Guarantor Optional Guarantee Payment

If a payment of any Guaranteed Amounts in respect of interest would (but for this Condition 7(c)) become, or be deemed pursuant to Condition 5(b) to become, due and payable under the Guarantee on a date which is not a Guarantor Compulsory Interest Payment Date or a Guarantor Mandatory Interest Deferral Date (a "**Guarantor Optional Guarantee Payment Date**"), the Guarantor may elect, by notice to the Noteholders, the Fiscal Agent and the Registrar pursuant to Condition 7(i) below, to defer payment (in whole or in part) of such Guaranteed Amounts and the Guarantor shall not have any obligation to make payment of the same on that date.

(d) Guarantor Mandatory Interest Deferral

Any Guaranteed Amounts in respect of interest which would, but for this Condition 7(d), become due and payable under the Guarantee on a date which is a Guarantor Mandatory Interest Deferral Date will be mandatorily deferred in full. The Guarantor shall notify the Noteholders, the Fiscal Agent and the Registrar of any such deferral pursuant to Condition 7(i) (provided that failure to make such notification shall not oblige the Guarantor to make payment of such Guaranteed Amounts, or cause the same to become due and payable, on such date).

A certificate signed by two Authorised Signatories of the Guarantor and delivered to the Fiscal Agent confirming that (a) a Guarantor Regulatory Deficiency Deferral Event has occurred and is continuing, or would occur if payment of the relevant Guaranteed Amounts were to be made or (b) a Guarantor Regulatory Deficiency Deferral Event has ceased to occur and/or payment of relevant Guaranteed Amounts would not result in a Guarantor Regulatory Deficiency Deferral Event occurring, shall, in the absence of manifest error, be treated and accepted by the Issuer, the Guarantor, the Fiscal Agent, the

Noteholders and all other interested parties as correct and sufficient evidence thereof, and shall be binding on all such persons.

(e) **No Default**

Notwithstanding any other provision in these Conditions, neither:

(i) the deferral by the Issuer of any payment of interest (i) on an Issuer Optional Interest Payment Date in accordance with Condition 7(a), (ii) on an Issuer Mandatory Interest Deferral Date in accordance with Condition 7(b) or (iii) as a result of the application of the Issuer Solvency Condition in accordance with Condition 4(c); nor

(ii) the deferral by the Guarantor of any payment of any Guaranteed Amounts in respect of interest (i) on a Guarantor Optional Guarantee Payment Date in accordance with Condition 7(c), on a Guarantor Mandatory Interest Deferral Date in accordance with Condition 7(d) or (iii) as a result of the application of the Guarantor Solvency Condition in accordance with Condition 5(d),

will constitute a default by the Issuer or the Guarantor and will not give Noteholders any right to accelerate repayment of the Notes or take any enforcement action under the Notes or the Guarantee.

(f) **Deferred Interest**

Any interest on the Notes not paid on an Interest Payment Date as a result of:

(i) the exercise by the Issuer of its discretion to defer such payment of interest pursuant to Condition 7(a), the obligation of the Issuer to defer such payment of interest pursuant to Condition 7(b) or the operation of the Issuer Solvency Condition described in Condition 4(c); and

(ii) the exercise by the Guarantor of its discretion to defer payment of Guaranteed Amounts in respect of such interest pursuant to Condition 7(c), the obligation of the Guarantor to defer payment of Guaranteed Amounts in respect of such interest pursuant to Condition 7(d) or the operation of the Guarantor Solvency Condition described in Condition 5(d),

shall (without double-counting), to the extent and so long as the same remains unpaid, constitute "**Deferred Interest**". Deferred Interest will not itself bear interest.

(g) **Payment of Deferred Interest by the Issuer**

Deferred Interest may be paid (subject to Condition 4(c) and provided that neither an Issuer Regulatory Deficiency Deferral Event nor a Guarantor Regulatory Deficiency Deferral Event is subsisting and neither such event would occur if payment of such Deferred Interest or the relevant part thereof was made by either the Issuer or the Guarantor), in whole or in part, by the Issuer in its sole discretion at any time and, in any event, shall become due and payable by the Issuer on the next following Issuer Mandatory Deferred Interest Settlement Date.

(h) **Payment of Deferred Interest by the Guarantor**

Deferred Interest may be paid (subject to Condition 5(d) and provided a Guarantor Regulatory Deficiency Deferral Event is not subsisting and would not occur if payment of such Deferred Interest or the relevant part thereof was made by the Guarantor), in whole or in part, by the Guarantor in its sole discretion at any time and, in any event, shall become due and payable by the Guarantor on the next following Guarantor Mandatory Deferred Interest Settlement Date.

(i) **Notice of Deferral**

The Issuer shall notify the Noteholders in accordance with Condition 16 and the Fiscal Agent and the Registrar in writing not less than five Business Days prior to an Interest Payment Date:

(i) if that Interest Payment Date is an Issuer Optional Interest Payment Date in respect of which the Issuer elects to defer interest as provided in Condition 7(a); or

(ii) if that Interest Payment Date is an Issuer Mandatory Interest Deferral Date and specifying that interest will not be paid because an Issuer Regulatory Deficiency Deferral Event has occurred and is continuing or would occur if payment of interest was made on such Interest Payment Date, provided that if an Issuer Regulatory Deficiency Deferral Event occurs or is determined less than five Business Days prior to an Interest Payment Date, the Issuer shall give notice of the interest deferral as aforesaid as soon as reasonably practicable following the occurrence of such event.

The Guarantor shall notify the Noteholders in accordance with Condition 16 and the Fiscal Agent and the Registrar in writing not less than five Business Days prior to an Interest Payment Date in respect of which Guaranteed Amounts in respect of interest are scheduled to be paid:

(i) if that Interest Payment Date is a Guarantor Optional Guarantee Payment Date in respect of which the Guarantor elects to defer interest as provided in Condition 7(c) above; or

(ii) if that Interest Payment Date is a Guarantor Mandatory Interest Deferral Date and specifying that relevant Guaranteed Amounts will not be paid because a Guarantor Regulatory Deficiency Deferral Event has occurred and is continuing or would occur if payment of relevant Guaranteed Amounts was made on such Interest Payment Date, provided that if a Guarantor Regulatory Deficiency Deferral Event occurs or is determined less than five Business Days prior to such Interest Payment Date, the Guarantor shall give notice of the deferral as aforesaid as soon as reasonably practicable following the occurrence of such event.

8 Redemption, Purchase, Substitution and Variation

(a) **No fixed maturity**

The Notes are perpetual and have no fixed maturity or redemption date and may only be redeemed at the option of the Issuer in accordance with this Condition 8.

(b) **Redemption at the Option of the Issuer**

The Issuer may, subject to Condition 8(d) and subject to having given not more than 30 nor less than 15 calendar days' prior notice to the Noteholders in accordance with Condition 16 (which notice shall be irrevocable, but without prejudice to mandatory deferral of redemption pursuant to Conditions 8(d) and 8(e)) have the right to redeem the Notes in whole, but not in part, at their principal amount, together with Deferred Interest (if any) and any other accrued and unpaid interest thereon to (but excluding) the date of redemption on the First Call Date or on any Interest Payment Date thereafter.

(c) **Redemption, substitution or variation following a Capital Disqualification Event, a Tax Event, an Accounting Event or a Ratings Methodology Event**

Subject to Condition 8(d), if at any time the Issuer determines that a Capital Disqualification Event, a Tax Event, an Accounting Event or a Ratings Methodology Event has occurred and is continuing then the Issuer may, having given not more than 30 nor less than 15 calendar days' notice to the

Noteholders in accordance with Condition 16 (which notice shall be irrevocable, but without prejudice to mandatory deferral of redemption pursuant to Conditions 8(d) and 8(e)), either:

(i) at any time, elect to redeem the Notes in whole, but not in part, at their principal amount, together with Deferred Interest (if any) and any other accrued and unpaid interest thereon to (but excluding) the date of redemption; or

(ii) at any time elect to substitute in whole, but not in part, the Notes for, or vary the terms of the Notes so that they become or remain (A) in the case of a substitution or variation in connection with a Capital Disqualification Event or a Tax Event, Qualifying Tier 2 Notes, (B) in the case of a substitution or variation in connection with an Accounting Event, Equity Accounted Notes or (C) in the case of a substitution or variation in connection with a Ratings Methodology Event, Rating Agency Compliant Notes.

Upon expiry of such notice the Issuer shall (subject to Conditions 8(d) and 8(e) as aforesaid) either redeem, vary or substitute the Notes, as the case may be.

(d) **Conditions to Redemption, Substitution, Variation or Purchase**

Any redemption, substitution, variation or purchase pursuant to Conditions 8(b), 8(c) or 8(g) is subject to:

(i) the Issuer having obtained the consent or non-objection of each Relevant Regulator (if then required by the Relevant Regulator or the Relevant Rules) of the Issuer and the Guarantor;

(ii) in the case of any redemption or purchase by the Issuer:

(A) the Issuer being solvent (within the meaning given in Condition 4(c)) at the time of, and immediately following, such redemption or purchase;

(B) an Issuer Regulatory Deficiency Deferral Event not subsisting on the date of redemption or purchase and provided that the same would not occur if such redemption or purchase were effected;

(C) a Guarantor Regulatory Deficiency Deferral Event not subsisting on the date of purchase or payment and provided that the same would not occur if either the Issuer or the Guarantor were to effect such purchase or effect (or, as the case may be, make payment of the Guaranteed Amounts in respect of) such redemption; and

(D) each of the Issuer and the Guarantor being in continued compliance with the capital requirements then applicable to it pursuant to the Relevant Rules;

(iii) in the case of any purchase by the Guarantor or any payment of Guaranteed Amounts by it in respect of redemption of the Notes:

(A) the Guarantor being solvent (within the meaning given in Condition 5(d)) at the time of, and immediately following, such purchase or payment of Guaranteed Amounts in respect of redemption;

(B) a Guarantor Regulatory Deficiency Deferral Event not subsisting on the date of purchase or payment and provided that the same would not occur if such purchase or payment were effected; and

(C) the Guarantor being in continued compliance with the capital requirements then applicable to it pursuant to the Relevant Rules; and

(iv) in the case of a redemption or purchase that is to be made prior to the First Call Date, to such redemption or purchase being funded (to the extent then required by the Relevant Rules applicable to the Issuer or the Guarantor) out of the proceeds of a new issuance of capital of at least the same quality as the Notes and/or otherwise being permitted under the Relevant Rules applicable to the Issuer and the Guarantor.

Notwithstanding the above conditions, if, at the time of any redemption, substitution, variation or purchase, the prevailing Relevant Rules permit the repayment, substitution, variation or purchase only after compliance with one or more alternative or additional pre-conditions to those set out above in this Condition 8(d), the Issuer and/or the Guarantor (as applicable) shall, in lieu of or, as the case may be, in addition to the foregoing requirements, comply with such other and/or, as appropriate, additional pre-condition(s).

Furthermore, prior to the publication of any notice of substitution, variation or redemption pursuant to this Condition 8 (other than redemption pursuant to Condition 8(b)), the Issuer shall deliver to the Fiscal Agent:

(i) a certificate signed by two Authorised Signatories of the Issuer stating that the relevant requirement or circumstance giving rise to the right to redeem, substitute or, as appropriate, vary is satisfied, and in the case of a substitution or variation, that the terms of the relevant Qualifying Tier 2 Notes or, as appropriate, Rating Agency Compliant Notes or Equity Accounted Notes comply with the definition thereof given in Condition 1; and

(ii) in the case of a redemption pursuant to the occurrence of a Tax Event only, an opinion from a law firm or other tax adviser of recognised standing in Bermuda or Qatar (as applicable) experienced in such matters to the effect that the relevant requirement or circumstance referred to in the definition of "Tax Event" applies (but, for the avoidance of doubt, such opinion shall not be required to comment on the ability of the Issuer or the Guarantor to avoid such circumstance by taking reasonable measures available to it).

The Fiscal Agent shall rely absolutely upon and shall accept such certificates and any such opinion without any liability to any person for so doing and without any further inquiry as sufficient evidence of the satisfaction of the conditions precedent set out in such paragraphs and the same shall be conclusive and binding on the Noteholders.

The Fiscal Agent shall, at the expense of the Issuer, use reasonable endeavours to assist the Issuer in the substitution of the Notes for, or the variation of the terms of the Notes so that they remain or, as appropriate, become, Qualifying Tier 2 Notes, Rating Agency Compliant Notes or Equity Accounted Notes (as the case may be), provided that the Fiscal Agent shall not be obliged to participate in, or assist with, any such substitution or variation if either the terms of the proposed Qualifying Tier 2 Notes, Rating Agency Compliant Notes or Equity Accounted Notes (as applicable) or the participation in or assistance with such substitution or variation would impose, in the Fiscal Agent's opinion, more onerous obligations upon it or expose it to liabilities or reduce its protections. If the Fiscal Agent does not participate or assist as provided above, the Issuer may redeem the Notes as otherwise provided in this Condition 8.

(e) **Deferral of Redemption**

(i) If any of the pre-conditions provided in Condition 8(d) to the redemption or purchase of any Notes by the Issuer and/or any of the pre-conditions provided in Condition 8(d) to the purchase of any Notes by the Guarantor or any payment of any Guaranteed Amounts in respect of any

redemption of the Notes by the Guarantor is not satisfied on the relevant date scheduled for purchase of redemption, then:

(A) in the case of a purchase, such purchase shall be cancelled; and

(B) in the case of a redemption and/or payment of Guaranteed Amounts in respect of redemption, such redemption and/or payment shall be deferred,

and such cancellation or deferral (as the case may be) will not constitute a default by the Issuer or the Guarantor and will not give Noteholders any right to accelerate repayment of the Notes or take any enforcement action under the Notes or the Guarantee.

(ii) Where any redemption of Notes has been deferred by the Issuer as a result of the application of Condition 8(d) (to the extent that payment of the relevant Guaranteed Amounts in respect of such redemption have not since been made by or recovered from the Guarantor), the Issuer shall be required to effect such redemption on the first to occur of the following dates:

(A) the date falling 10 Business Days after the first date on which such redemption could be effected by the Issuer in accordance with all pre-conditions under Condition 8(d) (provided that if on such 10th Business Day one or more of such pre-conditions are, again, not satisfied, the provisions of Condition 8(e)(i) as regards deferral and the provisions of this Condition 8(e)(ii) as regards subsequent redemption shall apply *mutatis mutandis*); and

(B) (notwithstanding any non-compliance with the pre-conditions in Condition 8(d)) the date falling 10 Business Days after the Relevant Regulator of the Issuer has agreed to the redemption notwithstanding any such non-compliance.

(iii) Where payment of any Guaranteed Amounts in respect of any redemption of Notes has been deferred by the Guarantor as a result of the application of Condition 8(d) (to the extent that the Notes have not since been redeemed by the Issuer), the Guarantor shall be required to pay the Guaranteed Amounts in respect of such redemption on the first to occur of the following dates:

(A) the date falling 10 Business Days after the first date on which the Guarantor could make payment of all Guaranteed Amounts in respect of redemption in accordance with all pre-conditions to payment under Condition 8(d) (provided that if on such 10th Business Day one or more of such pre-conditions are, again, not satisfied, the provisions of Condition 8(e)(i) as regards deferral and the provisions of this Condition 8(e)(iii) as regards subsequent payment shall apply *mutatis mutandis*); and

(B) (notwithstanding any non-compliance with the pre-conditions in Condition 8(d)) the date falling 10 Business Days after the Relevant Regulator of the Guarantor has agreed to the payment of Guaranteed Amounts in respect of redemption by the Guarantor notwithstanding any such non-compliance.

(f) **Compliance with Stock Exchange Rules**

In connection with any substitution or variation of the Notes pursuant to Condition 8(c), the Issuer and the Guarantor shall comply with the rules of any stock exchange or other relevant authority on which the Notes are for the time being listed or admitted to trading, and shall publish a prospectus or prospectus supplement in connection therewith if the Issuer and/or the Guarantor is required to do so in order to comply with any law or regulation applicable to such listing and/or admission to trading.

(g) **Purchases**

Subject to Condition 8(d), the Issuer, the Guarantor and any other Subsidiary of the Guarantor may at any time purchase Notes in any manner and at any price. All Notes purchased by or on behalf of the Issuer, the Guarantor or any such Subsidiary may be held, reissued, resold or, at the option of the Issuer, the Guarantor or the relevant Subsidiary, surrendered for cancellation to the Fiscal Agent.

(h) **Cancellation**

All Notes redeemed or substituted by the Issuer pursuant to this Condition 8, and all Notes purchased and surrendered for cancellation pursuant to Condition 8(g), will forthwith be cancelled. Any Notes so surrendered for cancellation may not be reissued or resold and the obligations of the Issuer and the Guarantor in respect of any such Notes shall be discharged.

9 Payments

(a) **Method of Payment**

(i) Payments of principal shall be made (subject to surrender of the relevant Certificates at the specified office of any Transfer Agent or of the Registrar if no further payment falls to be made in respect of the Notes represented by such Certificates) in the manner provided in paragraph (ii) below.

(ii) Interest (including, for the avoidance of doubt, Deferred Interest) on each Note shall be paid to the person shown on the Register at the close of business on the fifteenth Business Day before the due date for payment thereof (the "**Record Date**"). Payments of interest on each Note shall be made in the relevant currency by cheque drawn on a bank and mailed to the holder (or to the first named of joint holders) of such Note at its address appearing in the Register. Upon application by the holder to the specified office of the Registrar or any Transfer Agent before the Record Date, such payment of interest may be made by transfer to an account in the relevant currency maintained by the payee with a bank.

(iii) If the amount of principal being paid upon surrender of the relevant Certificate is less than the outstanding principal amount of such Certificate, the Registrar will annotate the Register with the amount of principal so paid and will (if so requested by the Issuer or a Noteholder) issue a new Certificate with a principal amount equal to the remaining unpaid outstanding principal amount. If the amount of interest being paid is less than the amount then due, the Registrar will annotate the Register with the amount of interest so paid.

(b) **Payments subject to Laws**

Payments will be subject in all cases to (i) any fiscal or other laws and regulations applicable thereto in the place of payment, but without prejudice to the provisions of Condition 10 and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 (the "**Code**") or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or any law implementing an intergovernmental approach thereto.

(c) **Payment Initiation**

Where payment is to be made by transfer to an account in the relevant currency, payment instructions (for value the due date, or if that is not a Business Day, for value the first following day which is a Business Day) will be initiated, and, where payment is to be made by cheque, the cheque will be

mailed on the last day on which the Fiscal Agent is open for business preceding the due date for payment or, in the case of payments of principal where the relevant Certificate has not been surrendered at the specified office of any Transfer Agent or of the Registrar, on a day on which the Fiscal Agent is open for business and on which the relevant Certificate is surrendered.

(d) **Appointment of Agents**

The Agents initially appointed by the Issuer are specified at the beginning of these Conditions. The Agents act solely as agents of the Issuer and the Guarantor and do not assume any obligation or relationship of agency or trust for or with any Noteholder. The Issuer and the Guarantor reserve the right at any time to vary or terminate the appointment of any Agent and to appoint additional or replacement Agents, provided that they shall at all times maintain (i) a Fiscal Agent, (ii) a Registrar, (iii) a Transfer Agent (which may be the Registrar), (iv) a Paying Agent (which may be the Fiscal Agent or the Registrar), (v) an Agent Bank and (vi) such other agents as may be required by any other stock exchange on which the Notes may be listed.

Notice of any change in Agent or any change of any specified office of an Agent shall promptly be given to the Noteholders in accordance with Condition 16.

(e) **Delay in Payment**

Noteholders will not be entitled to any interest or other payment for or in respect of any delay after the due date in receiving the amount due on a Note if the due date is not a Business Day, if the Noteholder is late in surrendering or cannot surrender its Certificate (if required to do so) or if a cheque mailed in accordance with Condition 9(a)(ii) arrives or is cleared after the due date for payment.

(f) **Non-Business Days**

If any date for payment in respect of any Note is not a Business Day, the holder shall not be entitled to payment until the next following Business Day nor to any interest or other sum for or in respect of such postponed payment.

10 Taxation

As at the date hereof, Qatar holds an indirect stake in the Guarantor (and, through such stake, is the largest shareholder of the Guarantor). By virtue of paragraph 2 of Article 21.4 of the Qatar Tax Law Executive Regulations, for so long as Qatar holds, directly or indirectly, a stake in the Guarantor, payments under the Guarantee may be made by the Guarantor without any withholding or deduction for or on account of Qatari tax. If Qatar were to cease to hold a direct or indirect stake in the Guarantor, the Guarantor would, under the current tax laws, be required to apply a withholding (the rate of which being, as at the Issue Date, 7 per cent.) on payments under the Guarantee of any amounts in respect of interest. The Guarantor would be required to pay Additional Amounts in such circumstance.

All payments of principal, interest, Deferred Interest and any other amounts by or on behalf of the Issuer or the Guarantor in respect of the Notes or under the Guarantee shall be made free and clear of, and without withholding or deduction for, any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by Bermuda or Qatar or any authority therein or thereof having power to tax, unless such withholding or deduction is required by law. In that event the Issuer or, as the case may be, the Guarantor shall pay such additional amounts as will result in receipt by the Noteholders of such amounts as would have been received by them had no such withholding or deduction been required ("**Additional Amounts**"), except that no such additional amounts shall be payable in respect of any Note:

(a) **Other connection**: held by or on behalf of a holder who is liable to such taxes, duties, assessments or governmental charges in respect of such Note by reason of his having some connection with Bermuda or Qatar (as applicable) other than the mere holding of the Note; or

(b) **Surrender more than 30 days after the Relevant Date**: in respect of which the Certificate representing it is presented for payment more than 30 days after the Relevant Date except to the extent that the holder of it would have been entitled to such additional amounts on surrendering the Certificate representing such Note for payment on the last day of such period of 30 days.

"**Relevant Date**" means, in respect of any amount payable on any Note, the date on which payment of such amount first becomes due or (if any amount of the money payable is improperly withheld or refused) the date on which payment in full of the amount outstanding is made or (if earlier) the date seven days after that on which notice is duly given to the Noteholders in accordance with Condition 16 that, upon further surrender of the Certificate representing such Note being made in accordance with the Conditions, such payment will be made, provided that payment is in fact made upon such surrender.

Notwithstanding any other provision of these Conditions, in no event will the Issuer or the Guarantor be required to pay any Additional Amounts in respect of the Notes or the Guarantor for, or on account of, any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the Code or otherwise imposed pursuant to Sections 1471 through 1474 of the Code or any law implementing an intergovernmental approach thereto.

11 Events of Default

(a) **Rights to institute and/or prove in a winding-up of the Issuer**

The right to institute winding-up proceedings in respect of the Issuer is limited to circumstances where a relevant payment by the Issuer under the Notes has become due and is not duly paid. For the avoidance of doubt, no amount shall be due from the Issuer in circumstances where payment of such amount could not be made in compliance with the Issuer Solvency Condition or is deferred by the Issuer in accordance with Condition 7(a), 7(b) or 8(e). Further, the Noteholders will not have any rights to prove or claim in a winding-up of the Issuer and will instead only have rights as against the Guarantor as set out below.

If default is made by the Issuer for a period of 14 days or more in the payment of any interest, Deferred Interest or principal due in respect of the Notes or any of them, such default will be deemed to be sufficient cause for any holder of a Note to institute proceedings for the winding-up of the Issuer in Bermuda (but not elsewhere), but (save as provided below in this Condition 11) no further action may be taken to enforce, prove or claim for any payment by the Issuer in respect of the Notes.

(b) **Rights to institute and/or prove in a winding-up of the Guarantor:**

The right to institute winding-up proceedings in respect of the Guarantor is limited to circumstances where a relevant payment by the Guarantor under the Guarantee has become due and is not duly paid. For the avoidance of doubt, no amount shall be due from the Guarantor in circumstances where payment of such amount could not be made in compliance with the Guarantor Solvency Condition or is deferred by the Guarantor in accordance with Condition 7(c), 7(d) or 8(e).

If default is made by the Guarantor for a period of 14 days or more in the payment of any amount due under the Guarantee, then any holder of a Note may institute proceedings for the winding-up of the Guarantor in Qatar (but not elsewhere), but (save as provided below in this Condition 11) no further

action may be taken to enforce, prove or claim for any payment by the Guarantor in respect of the Notes (including the Guarantee).

(c) **Issuer Winding-Up (only)**

(i) If an Issuer Winding-Up commences at a time when a Guarantor Winding-Up has commenced and is continuing, or if an Issuer Winding-Up and a Guarantor Winding-Up commence on the same calendar day, the provisions of Condition 11(d) below shall apply.

(ii) If an Issuer Winding-Up occurs in circumstances where Condition 11(c)(i) above and Condition 11(d) below do not apply, the holders of the Notes shall, without the need for any further step or action on their part:

(A) irrevocably assign, and shall be treated as having irrevocably assigned immediately prior to commencement of the Issuer Winding-Up, all their Rights and Claims against the Issuer to the Guarantor in consideration for the Guarantor's agreement to assume the obligations of the Issuer under the Notes as Substitute Obligor in place of the Issuer as provided in Condition 11(c)(iv) below;

(B) irrevocably appoint, authorise and direct, and shall be treated as having irrevocably appointed, authorised and directed, the Guarantor as its agent to take any steps as the Guarantor may consider necessary or desirable to give effect to the assignment under (A) above; and

(C) irrevocably authorise and direct, and shall be treated as having irrevocably authorised and directed, the Issuer (or its liquidator, administrator or other insolvency official, as appropriate) to make the payment of any amounts in respect of any Rights and Claims against the Issuer directly to the Guarantor,

and, accordingly, upon commencement of the Issuer Winding-Up and as a result of the assignment under (A) above the Noteholders shall have no further rights or claims against the Issuer or (without prejudice to the provisions of Conditions 11(c)(iii) and 11(c)(iv) below) the Guarantor in respect of such amounts.

For the purposes of this Condition 11(c)(ii), "**Rights and Claims against the Issuer**" means all amounts which Noteholders would, but for the provisions of this Condition 11(c)(ii), be entitled to claim or receive from the Issuer in an Issuer Winding-Up in respect of the Notes (including, without limitation, any amounts in respect of principal, interest, Deferred Interest and/or any damages awarded for breach of any obligations under the Notes) and all rights and claims thereto.

(iii) The provisions of Condition 11(c)(ii) above are without prejudice to any claim which the holders of the Notes may subsequently have against the Guarantor in its capacity as the Substitute Obligor (but, for the avoidance of doubt, the occurrence of the Issuer Winding-Up shall not, in such circumstances, result in acceleration of any payment of principal, interest (including Deferred Interest) or other amounts under the Notes or the Guarantee against Guarantor, either as Guarantor or as Substitute Obligor).

(iv) If an Issuer Winding-Up occurs in the circumstances where Condition 11(c)(ii) above applies, the Guarantor shall promptly procure that it is substituted as Substitute Obligor in place of the Issuer pursuant to Condition 14(c) (by means of a deed poll executed by the Guarantor agreeing to be bound by the terms of the Notes as fully as if the Guarantor has been named in the Conditions as the principal debtor in place of the Issuer) and shall thereby assume as Substitute

Obligor all of the obligations of the Issuer under the Notes, provided that the claims of the Noteholders against the Guarantor as Substitute Obligor in respect of all payment obligations under the Notes shall rank *pari passu* with the ranking of claims in respect of the Guarantee and the rights and obligations of the Guarantor as Substitute Obligor to defer payments of interest (including Deferred Interest), principal (including deferral of redemption of the Notes) and any other amounts under or in respect of the Notes will be equivalent to the rights and obligations of the Guarantor as Guarantor to defer payments under the Guarantee. With effect immediately from the commencement of the Issuer Winding-Up and until such time as substitution pursuant to Condition 14(c) shall take effect, the Guarantor shall be deemed and treated for all purposes as if such substitution had automatically taken place, and the rights and claims of the Noteholders in respect of the Notes shall be treated as rights and claims against the Guarantor as Substitute Obligor accordingly.

(d) **Guarantor Winding-Up – rights of Noteholders**

If a Guarantor Winding-Up occurs at any time, then:

(i) the principal amount of the Notes will automatically be immediately and irrevocably written down to nil and any accrued and unpaid interest thereon (whether or not then due) and any Deferred Interest will automatically be immediately and irrevocably cancelled, but this shall be without prejudice to the claims of the Noteholders in respect of their Notes in the Guarantor Winding-Up as set out in Condition 11(d)(iii) below, and the Notes shall remain outstanding as evidence of such claims of the Noteholders in the Guarantor Winding-Up;

(ii) the holders of the Notes shall, without the need for any further step or action on their part:

(A) irrevocably assign, and shall be treated as having irrevocably assigned immediately prior to the commencement of the Guarantor Winding-Up, all present and future rights and claims which they are, or would but for this provision be, entitled to exercise against the Issuer in respect of their Notes (including, without limitation, any rights to or claims for any amounts of principal, interest, Deferred Interest and/or any damages awarded for breach of any obligations under the Notes) to the Guarantor; and

(B) irrevocably appoint, authorise and direct, and shall be treated as having irrevocably appointed, authorised and directed, the Guarantor (or its liquidator, administrator or other applicable insolvency official) as their agent to take any steps as such agent may consider necessary or desirable to give effect to the assignment under (A) above; and

(iii) any Noteholder may claim and/or prove in the Guarantor Winding-Up in respect of its Notes, such claim being, in respect of each Note and in lieu of any other amount, a claim for an amount equal to the principal amount of such Note (being the full principal amount prior to the write-down under Condition 11(d)(i) above) together with any Deferred Interest thereon and any other accrued and unpaid interest thereon to the date of payment and any damages awarded for any breach of obligation in respect thereof, provided that such claims shall be subordinated as provided under Condition 5(c) above, and provided further that no amount in respect of the Notes shall, as a result of such Guarantor Winding-Up, be or become due and repayable by the Issuer.

(e) **Rights of Guarantor in an Issuer Winding-Up**

The Guarantor's rights and claims (if any) against the Issuer in the event of an Issuer Winding-Up shall be as provided in the Deed of Guarantee.

(f) **Enforcement**

Without prejudice to Conditions 11(a), 11(b), 11(c) or 11(d), the Noteholder may at its discretion and without further notice institute such proceedings against the Issuer or the Guarantor as it may think fit to enforce any term or condition binding on the Issuer or the Guarantor (as the case may be) under the Notes or the Guarantee (other than any payment obligation of the Issuer or the Guarantor under or arising from the Notes or the Guarantee, including any damages awarded for breach of any obligations thereunder) but in no event shall the Issuer or the Guarantor, by virtue of the institution of any such proceedings, be obliged to pay any sum or sums, in cash or otherwise, sooner than the same would otherwise have been payable by it. Nothing in this Condition 11(f) shall, however, prevent any Noteholder from taking such steps, actions or proceedings as described in Conditions 11(a) and 11(b) in each case where such payment obligation arises from the Notes or the Guarantee (including, without limitation, payment of any principal, interest or Deferred Interest in respect of the Notes or any damages awarded for breach of any obligations under the Notes and the Guarantee).

(g) **Extent of Noteholders' Remedy**

No remedy against the Issuer or the Guarantor, other than as referred to in this Condition 11, shall be available to the Noteholders, whether for the recovery of amounts owing in respect of the Notes or in respect of any breach by the Issuer or the Guarantor of any of its other obligations under or in respect of the Notes.

12 Prescription

Claims against the Issuer and the Guarantor for payment in respect of the Notes and the Guarantee shall be prescribed and become void unless made within 10 years (in the case of principal) or five years (in the case of interest and Deferred Interest) from the appropriate Relevant Date in respect of them.

13 Replacement of Certificates

If any Certificate is lost, stolen, mutilated, defaced or destroyed, it may be replaced, subject to applicable laws, regulations or other relevant regulatory authority regulations, at the specified office of the Registrar or such other Transfer Agent as may from time to time be designated by the Issuer or the Guarantor for that purpose and notice of whose designation is given to Noteholders, in each case on payment by the claimant of the fees and costs incurred in connection therewith and on such terms as to evidence, security, indemnity and otherwise as the Issuer may require (provided that the requirement is reasonable in light of prevailing market practice). Mutilated or defaced Certificates must be surrendered before replacements will be issued.

14 Meetings of Noteholders, Modification and Substitution

(a) **Meetings of Noteholders**

The Fiscal Agency Agreement contains provisions for convening meetings of Noteholders to consider matters affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of any of these Conditions. Such a meeting may be convened by Noteholders holding not less than 10 per cent. in principal amount of the Notes for the time being outstanding. The quorum for any meeting convened to consider an Extraordinary Resolution will be two or more persons holding or representing a clear majority in principal amount of the Notes for the time being outstanding, or at any adjourned meeting two or more persons being or representing Noteholders whatever the principal amount of the Notes held or represented, unless the business of such meeting includes consideration of proposals, *inter alia*, (i) to impose a maturity date on the Notes or modify any of the dates on which or

circumstances in which interest and/or principal is payable or deferrable (on a discretionary or mandatory basis) in respect of the Notes, (ii) to reduce or cancel the principal amount of, or any interest or Deferred Interest on, or to vary the method of calculating the rate of interest on, the Notes, (iii) to change the currency of payment of the Notes, (iv) to modify the subordination of the Notes; (v) to modify the provisions concerning the quorum required at any meeting of Noteholders or the majority required to pass an Extraordinary Resolution, or (vi) to modify or cancel the Guarantee, in which case the necessary quorum will be two or more persons holding or representing not less than two-thirds, or at any adjourned meeting not less than one-third, in principal amount of the Notes for the time being outstanding. Any Extraordinary Resolution duly passed shall be binding on Noteholders (whether or not they were present at the meeting at which such resolution was passed).

The Fiscal Agency Agreement provides that a resolution in writing signed by or on behalf of the holders of not less than 75 per cent. in principal amount of the Notes outstanding shall for all purposes be as valid and effective as an Extraordinary Resolution passed at a meeting of Noteholders duly convened and held. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Noteholders.

(b) **Modification of the Fiscal Agency Agreement**

The Issuer and the Guarantor shall only permit any modification of, or any waiver or authorisation of any breach or proposed breach of or any failure to comply with, the Fiscal Agency Agreement, if to do so could not reasonably be expected to be prejudicial to the interests of the Noteholders in any material respect.

(c) **Substitution of the Issuer or the Guarantor**

Subject (in the case of any substitution of the Issuer or the Guarantor except for a substitution pursuant to Condition 11(c)(iv)) to the Issuer or the Guarantor giving at least one month's notice (or such shorter period of notice as such Relevant Regulator may accept) to, and receiving no objection from, the Relevant Regulator of the Issuer and the Guarantor (but only for so long as there is a requirement by the Relevant Regulator or under the Relevant Rules to give such notice), the Issuer and the Guarantor shall (without any further action being necessary on the part of any person) substitute the Guarantor in place of the Issuer as principal debtor under the Notes in the circumstances provided under Condition 11(c)(iv) and otherwise may, in each case without the consent of the Noteholders:

(i) substitute the Guarantor in place of the Issuer as principal debtor under the Notes; or

(ii) subject to the Notes remaining unconditionally and irrevocably guaranteed on a subordinated basis, in accordance with Condition 5, by the Guarantor, to the substitution of a Subsidiary of the Issuer or the Guarantor in place of the Issuer as principal debtor under the Notes; or

(iii) to the substitution of a Successor in Business to the Guarantor in place of the Guarantor,

(each such substitute being hereinafter referred to as the "**Substitute Obligor**") provided that (other than in the case of a substitution pursuant to Condition 11(c)(iv)) in each case:

(i) the substitution shall be made by a deed poll executed by the Substitute Obligor, agreeing to be bound by the terms of the Notes as fully as if the Substitute Obligor has been named in the Conditions as the principal debtor in place of the Issuer or (as the case may be) as the Guarantor in place of the Guarantor (or of any previous Substitute Obligor, as the case may be);

(ii) (A) the Substitute Obligor has obtained all necessary governmental and regulatory approvals and consents necessary for its assumptions of the duties and liabilities as Substitute Obligor under the Notes or the Guarantee in place of the Issuer or the Guarantor (as applicable) or, as

the case may be, any previous Substitute Obligor and (B) such approvals and consents are at the time of substitution in full force and effect;

(iii) two Authorised Signatories of the Substitute Obligor certify that the Substitute Obligor is solvent at the time at which the substitution is proposed to be in effect, and immediately thereafter;

(iv) if the Substitute Obligor is, or becomes, subject generally to the taxing jurisdiction of a territory or any authority of or in that territory with power to tax (the "**Substituted Territory**") other than the territory of the taxing jurisdiction of which (or to any such authority of or in which) the Issuer or (as the case may be) the Guarantor (or, if applicable, the previous Substitute Obligor it is being substituted for) is subject generally, the Substitute Obligor will agree to indemnify each Noteholder against any tax, duty, assessment or governmental charge which is imposed on it by (or by any authority in or of) the Substituted Territory; and

(v) in the case of a substitution of the Guarantor pursuant to Condition 14(c)(iii) only, if the Notes are rated (where such rating was assigned at the request of the Issuer or the Guarantor) by one or more credit rating agencies of international standing immediately prior to such substitution, the Notes shall continue to be rated by each such rating agency immediately following such substitution, and the credit ratings assigned to the Notes by each such rating agency immediately following such substitution are expected to be no less than those assigned to the Notes immediately prior thereto.

In addition, upon any substitution of the Guarantor as Substitute Obligor in place of the Issuer:

(A) the Guarantor and the Fiscal Agent shall make such amendments to the provisions of the Conditions and the Fiscal Agency Agreement (without any action being necessary by the Issuer) as the Guarantor determines, in its sole and absolute discretion in consultation with an independent investment bank or other independent adviser of recognised standing, to be necessary or desirable to ensure that:

1. the rights and obligations of the Guarantor as Substitute Obligor to defer payments of interest (including Deferred Interest), principal (including deferral of redemption of the Notes) and any other amounts in respect of the Notes are equivalent to its rights and obligations as Guarantor prior to such substitution to defer payments under the Guarantee;

2. the Guarantor as Substitute Obligor shall have the benefit of the provisions applicable to the Issuer under the Notes relating to the Issuer's ability to redeem, vary, substitute or purchase the Notes, to convene, attend and participate at meetings of Noteholders, to give notices and all other rights which it would be appropriate for the Substitute Obligor to assume; and

3. the rights and claims of the Noteholders against the Guarantor as Substitute Obligor are not materially less favourable than their rights and claims against the Guarantor under the Guarantee immediately prior to such substitution; and

(B) the Guarantee shall automatically terminate immediately upon the substitution of the Guarantor as Substitute Obligor in place of the Issuer taking effect.

15 Further Issues

The Issuer may from time to time without the consent of the Noteholders create and issue further securities either having the same terms and conditions as the Notes in all respects (or in all respects except for the first payment of interest on them) and so that such further issue shall be consolidated and form a single series with the outstanding securities of any series (including the Notes) or upon such terms as the Issuer may determine at the time of their issue. References in these Conditions to the Notes include (unless the context requires otherwise) any other securities issued pursuant to this Condition and forming a single series with the Notes.

16 Notices

Notices to the holders of Notes shall be mailed to them at their respective addresses in the Register and deemed to have been given on the fourth weekday (being a day other than a Saturday or a Sunday) after the date of mailing. The Issuer shall also ensure that notices are duly given or published in a manner which complies with the rules and regulations of any stock exchange or other relevant authority on which the Notes are for the time being listed.

17 Contracts (Rights of Third Parties) Act 1999

No person shall have any right to enforce any term or condition of the Notes under the Contracts (Rights of Third Parties) Act 1999.

18 Governing Law, Arbitration and Jurisdiction

(a) **Governing Law**

The Fiscal Agency Agreement, the Notes and the Guarantee and any non-contractual obligations arising out of or in connection with them will be governed by, and construed in accordance with, English law except for the subordination and waiver of set-off provisions of the Notes and the Guarantee which will be governed under the laws of Bermuda (in respect of the Notes) and Qatar (in respect of the Guarantee) (but, for the avoidance of doubt, any assignment or deemed assignment by Noteholders to the Guarantor of the rights and claims of such holders against the Issuer in respect of the Notes under Condition 11(c) or 11(d) above shall be governed by and construed in accordance with English law).

(b) **Arbitration**

Subject to Condition 18(c), any dispute, claim, difference or controversy arising out of, relating to or having any connection with the Notes or the Guarantee (including any dispute as to its existence, validity, interpretation, performance, breach or termination or the consequences of its nullity and any dispute relating to any non-contractual obligations arising out of or in connection with them) (a "**Dispute**") shall be referred to and finally resolved by arbitration in accordance with the Arbitration Rules of the London Court of International Arbitration ("**LCIA**") (the "**Rules**"), which Rules (as amended from time to time) are incorporated by reference into this Condition. For these purposes:

(i) the seat of arbitration shall be London;

(ii) there shall be three arbitrators, each of whom shall have no connection with any party thereto and shall be an attorney experienced in international securities transactions. The parties to the Dispute shall each nominate one arbitrator and both arbitrators together in turn shall appoint a further arbitrator who shall be the chairman of the tribunal. In cases where there are multiple claimants and/or multiple respondents, the class of claimants jointly, and the class of

respondents jointly, shall each nominate one arbitrator. If one party or both fails to nominate an arbitrator within the time limits specified by the Rules, such arbitrator(s) shall be appointed by the LCIA. If the party nominated arbitrators fail to nominate the third arbitrator within 15 days of the appointment of the second arbitrator, such arbitrator shall be appointed by the LCIA; and

(iii) the language of the arbitration shall be English.

(c) **Option to Litigate**

Notwithstanding Condition 18(b), any Noteholder may, in the alternative, and at its sole discretion, by notice in writing to the Issuer and the Guarantor:

(i) within 28 days of service of a Request for Arbitration (as defined in the Rules); or

(ii) in the event no arbitration is commenced,

require that a Dispute be heard by a court of law. If a Noteholder gives such notice, the Dispute to which such notice refers shall be determined in accordance with Condition 18(d) and any arbitration commenced under Condition 18(b) in respect of that Dispute will be terminated. Each of the parties to the terminated arbitration will bear its own costs in relation thereto.

(d) **Notices pursuant to Condition 18(c)**: In the event that a notice pursuant to Condition 18(c) is issued, the following provisions shall apply:

(i) subject to paragraph (iii) below, the courts of England shall have exclusive jurisdiction to settle any Dispute and each of the Issuer and the Guarantor submits to the exclusive jurisdiction of such courts;

(ii) each of the Issuer and the Guarantor agrees that the courts of England are the most appropriate and convenient courts to settle any Dispute and, accordingly, that it will not argue to the contrary; and

(iii) this Condition 18(d) is for the benefit of the Noteholders only. As a result, and notwithstanding paragraph (i) above, a Noteholder may take proceedings relating to a Dispute ("**Proceedings**") in any other courts with jurisdiction. To the extent allowed by law, a Noteholder may take concurrent Proceedings in any number of jurisdictions.

(e) **Joinder**: The following shall apply to any disputes arising out of or in connection with the Notes in respect of which a request for arbitration has been served. In relation to any such disputes if, in the absolute discretion of the first arbitral tribunal to be appointed in any of the disputes, they are so closely connected that it is expedient for them to be resolved in the same proceedings, that arbitral tribunal shall have the power to order that the proceedings to resolve that dispute shall be consolidated with those to resolve any of the other disputes, provided that no date for the final hearing of the first arbitration has been fixed. If that arbitral tribunal so orders, the parties to each dispute which is a subject of its order shall be treated as having consented to that dispute being finally decided:

(i) by the arbitral tribunal that ordered the consolidation unless the LCIA decides that arbitral tribunal would not be suitable or impartial; and

(ii) in accordance with the procedure, at the seat and in the language specified in the relevant agreement under which the arbitral tribunal that ordered the consolidation was appointed, save as otherwise agreed by all parties to the consolidated proceedings or, in the absence of any such agreement, ordered by the arbitral tribunal in the consolidated proceedings.

Any dispute which is subject to a contractual option to litigate shall only be capable of consolidation pursuant to this Condition 18(e) if:

(i) the time limit for exercise of the option to which the dispute is subject has expired and the option has not been exercised; or

(ii) the right of the option-holder to exercise the option has otherwise been validly waived.

(f) **Service of Process**

Each of the Issuer and the Guarantor hereby irrevocably and unconditionally appoints Antares Underwriting Services Limited, at its registered office for the time being, as its agent for service of process in England in respect of any Proceedings and undertakes that in the event of such agent ceasing so to act it will appoint another person as its agent for that purpose. Such service shall be deemed completed on delivery to such process agent(whether or not it is forwarded to and received by the Issuer or the Guarantor). If for any reason such process agent ceases to be able to act as such or no longer has an address in London, each of the Issuer and the Guarantor irrevocably agrees to appoint a substitute process agent and shall immediately notify Noteholders of such appointment in accordance with Condition 16. Nothing shall affect the right to serve process in any manner permitted.

(g) **Waiver of Immunity**

The Issuer and the Guarantor acknowledge that the transactions contemplated by the Notes are commercial transactions and, to the extent that any of the Issuer or the Guarantor may in any jurisdiction claim for itself or its assets or revenues immunity from suit, jurisdiction, enforcement, prejudgement proceedings, injunctions, execution, attachment (whether in aid of execution, before judgment or otherwise) or other legal process or relief and to the extent that such immunity (whether or not claimed) may be attributed in any such jurisdiction to the Issuer or the Guarantor or any of their respective assets or revenues, each of the Issuer and the Guarantor agrees not to claim and irrevocably and unconditionally waives such immunity to the fullest extent permitted by the laws of such jurisdiction. In addition, each of the Issuer and the Guarantor, irrevocably and unconditionally consents to the giving of any relief or the issue of any proceedings, including, without limitation, the making, enforcement or execution against any of its assets whatsoever (irrespective of its intended use) of any order, prejudgement or judgement made or given in connection with any legal or arbitral proceedings or Disputes.

DEED OF GUARANTEE

The following is the form of Deed of Guarantee which will be entered into by the Guarantor on the Issue Date (as defined in the Conditions).

This Deed of Guarantee is made on 13 March 2017 by Qatar Insurance Company S.A.Q. (the "**Guarantor**") in favour of the Holders and the Relevant Account Holders.

Whereas:

(A) Qatar Reinsurance Company Limited (the "**Issuer**") proposes to issue U.S.$450,000,000 principal amount of Notes to be known as its Perpetual Subordinated Tier 2 Fixed Rate Reset Notes which will be guaranteed as to payment of principal and interest by the Guarantor on a subordinated basis (the "**Notes**", which expression shall, if the context so admits, include the Global Certificates to be initially delivered in respect of the Notes) pursuant to a fiscal agency agreement, as amended or supplemented from time to time dated 13 March 2017 (the "**Fiscal Agency Agreement**") between, among others, the Issuer, the Guarantor and Citibank, N.A., London Branch as Fiscal Agent (the "**Fiscal Agent**").

(B) The Issuer has, in relation to the Notes issued by it, entered into a deed of covenant (as amended and supplemented from time to time, the "**Deed of Covenant**") dated 13 March 2017.

(C) The Guarantor has (subject as provided in Conditions 5(c), 5(d), 7(c), 7(d), 8(d), 8(e) and 11) irrevocably agreed to (i) guarantee on a subordinated basis the due and punctual payment of all Guaranteed Amounts (as defined in the Conditions) and (ii) make payment of all other sums expressed to be payable from time to time by the Guarantor, in each case, to the holders of any Notes (the "**Holders**" or "**Noteholders**") issued by the Issuer and under the Deed of Covenant to the Relevant Account Holders (the "**Guarantee**") in the circumstances and at the times that such amounts become due and payable by it pursuant to and in accordance with the Conditions (as defined in the Deed of Covenant).

This Deed Witnesses as follows:

1 Interpretation

1.1 **Defined Terms:** In this Deed, unless otherwise defined herein, capitalised terms shall have the same meaning given to them in the Deed of Covenant and the Conditions (as defined in the Deed of Covenant).

1.2 **Headings:** Headings shall be ignored in construing this Deed.

1.3 **Contracts:** References in this Deed to this Deed or any other document are to this Deed or such documents as amended, supplemented or replaced from time to time in relation to the Notes and includes any document that amends, supplements or replaces them.

2 Subordinated Guarantee and Indemnity

2.1 **Subordinated Guarantee:** The Guarantor unconditionally and irrevocably guarantees on a subordinated basis and undertakes that:

2.1.1 if the Issuer does not pay any Guaranteed Amounts (whether payable by it under the Deed of Covenant or the Notes) by the time and on the date specified for such payment (whether on the normal due date, on acceleration or otherwise and in all cases as provided in Condition 5(b)); and/or

2.1.2 if any other amount stated to be due and payable by the Guarantor pursuant to the Conditions becomes due and payable by the Guarantor,

the Guarantor shall, subject as provided in Conditions 5(c), 5(d), 7(c), 7(d), 8(d) and 8(e) and 11, pay such sum or sums to each Holder and each Relevant Account Holder before close of business on the date on which the Conditions state that the relevant sum shall become due and payable by the Guarantor such that each Holder and each Relevant Account Holder, as the case may be, shall receive the same amounts as would have been receivable by it had such payments been payable by the Issuer pursuant to the Conditions.

The payment obligations of the Guarantor under this Subordinated Guarantee are direct, unsecured and subordinated obligations of the Guarantor which are subordinated to all unsubordinated payment obligations of the Guarantor in the manner described in the Conditions. All payments under this Guarantee by the Guarantor shall be made subject to and in accordance with the Conditions and, in particular, the payment obligations of the Guarantor may be optionally or mandatorily deferred pursuant to and in accordance with the Conditions.

2.2 **Guarantor as Principal Debtor:** As between the Guarantor, the Holders and the Relevant Account Holders but without affecting the Issuer's obligations and without prejudice to Clause 2.1 above and to the provisions of the Conditions, the Guarantor shall be liable under this Guarantee as if it were the sole principal debtor and not merely a surety. Accordingly, its obligations shall not be discharged, nor shall its liability be affected, by anything that would not discharge it or affect its liability if it were the sole principal debtor, including (1) any time, indulgence, waiver or consent at any time given to the Issuer or any other person, (2) any amendment to any other provisions of this Guarantee or to the Conditions or to any security or other guarantee or indemnity, (3) the making or absence of any demand on the Issuer or any other person for payment, (4) the enforcement or absence of enforcement of this Guarantee, the Notes, the Deed of Covenant or of any security or other guarantee or indemnity, (5) the taking, existence or release of any security, guarantee or indemnity, (6) the dissolution, amalgamation, reconstruction or reorganisation of the Issuer or any other person or (7) the illegality, invalidity or unenforceability of or any defect in any provision of this Guarantee, the Notes, the Deed of Covenant or any of the Issuer's obligations under any of them.

2.3 **Guarantor's Obligations Continuing:** The Guarantor's obligations under this Guarantee are and shall remain in full force and effect by way of continuing security until no sum remains payable under the Notes, the Deed of Covenant or this Guarantee. The Guarantor irrevocably waives all notices and demands of any kind, save as set out in the Conditions.

2.4 **Limitation Waiver**: The Guarantor expressly and irrevocably acknowledges that a demand under this Guarantee may be made after the expiry of six months from the date on which the Guarantor has sent a notification to the Holders and the Relevant Account Holders under Article 821 of Qatar Civil Code (enacted under Law No. 22 of 2004, as amended) and agrees that the provisions of Article 821 of the Qatar Civil Code are not applicable to this Guarantee and waives any rights it may have under Article 821.

2.5 **Exercise of Guarantor's Rights:** Save in a Guarantor Winding-Up (in which event Clause 2.10 below shall apply), so long as any sum remains payable under the Notes, the Deed of Covenant or this Guarantee, the Guarantor shall not exercise or enforce any right, by reason of the performance of any of its obligations under this Guarantee, to be indemnified by the Issuer or to take the benefit of or enforce any security or other guarantee or indemnity in relation to any claims arising out of such performance.

2.6 **Avoidance of Payments:** The Guarantor shall on demand indemnify a Holder or Relevant Account Holder, on an after tax basis, against any cost, loss, expense or liability sustained or incurred by it as a result of it being required for any reason (including any bankruptcy, insolvency, winding-up, dissolution or similar law of any jurisdiction) to refund all or part of any amount received or recovered by it in respect of any sum payable by the Issuer under the Notes or the Deed of Covenant and shall in any event pay to it on demand the amount as refunded by it.

2.7 **Debts of Issuer:** If any moneys become payable by the Guarantor under this Guarantee, the Issuer shall not (except in the event of an Issuer Winding-Up) so long as any such moneys remain unpaid, pay any moneys for the time being due from the Issuer to the Guarantor and the Guarantor shall not accept the same and shall return any such moneys received from the Issuer promptly upon receipt thereof.

2.8 **Indemnity:** As separate, independent and alternative stipulations, the Guarantor unconditionally and irrevocably agrees: (1) that any sum that, although expressed to be payable by the Issuer under the Notes, the Deed of Covenant or this Guarantee, is for any reason (whether or not now existing and whether or not now known or becoming known to the Issuer, the Guarantor, a Holder or a Relevant Account Holder) not recoverable from the Guarantor on the basis of a guarantee shall nevertheless (subject as provided in Conditions 5(c), 5(d), 7(c), 7(d), 8(d) and 8(e) be recoverable from it as if it were the sole principal debtor and shall be paid by it to the Holder or Relevant Account Holder (as the case may be) on demand; and (2) as a primary obligation to indemnify each Holder and Relevant Account Holder against any loss suffered by it as a result of any sum expressed to be payable by the Issuer under the Notes, the Deed of Covenant or this Guarantee not being paid on the date and otherwise in the manner specified in this Guarantee or in the Conditions or any payment obligation of the Issuer under the Notes, the Deed of Covenant or this Guarantee being or becoming void, voidable or unenforceable for any reason (whether or not now existing and whether or not now known or becoming known to a Holder or a Relevant Account Holder), the amount of that loss being the amount expressed to be payable by the Issuer in respect of the relevant sum.

2.9 **Incorporation of Terms:** The Conditions shall be deemed to be incorporated into this Guarantee and accordingly the Guarantor agrees that it will comply with and be bound by all provisions contained in the Conditions which relate to it.

2.10 **Guarantor Winding-Up:** The Guarantor irrevocably agrees that:

2.10.1 if a Guarantor Winding-Up commences at a time when an Issuer Winding-Up has not commenced and does not commence on the same calendar day as commencement of such Guarantor Winding-Up, it shall irrevocably waive in full, and shall be treated as having irrevocably waived in full immediately prior to commencement of the Guarantor Winding-Up, and will take no steps to enforce, any claim or action against the Issuer it may otherwise have as a result of (x) the assignment of rights from the holders of the Notes as set out under Condition 11(d)(ii)(A) and/or (y) any rights of subrogation that may arise in the event that any amounts recovered by holders of the Notes in the Guarantor Winding-Up are treated as Guarantee payments in respect of the Notes;

2.10.2 if a Guarantor Winding-Up commences at a time when an Issuer Winding-Up has commenced and is continuing, or if a Guarantor Winding-Up and an Issuer Winding-Up commence on the same calendar day, the Guarantor shall be entitled to claim in the Issuer Winding-Up in respect of the following (but without duplication): (x) the assignment of rights from the holders of the Notes to it as set out under Condition 11(d)(ii)(A) and/or (y) any rights of subrogation that may arise in the event that any amounts recovered by holders of the Notes in the Guarantor Winding-

Up are treated as Guarantee payments in respect of the Notes, provided however that all such claims against the Issuer shall be subordinated as provided under Condition 4(b); and

2.10.3 if an Issuer Winding-Up commences in circumstances where a Guarantor Winding-Up has not commenced and does not commence on the same calendar day as commencement of such Issuer Winding-Up, the Guarantor shall be entitled to claim in the Issuer Winding-Up in respect of the Rights and Claims against the Issuer assigned to it under Condition 11(c)(ii)(A), provided however such claim against the Issuer shall be subordinated as provided under Condition 4(b).

3 Payments

3.1 **Payments Free of Taxes:** All payments by the Guarantor under this Guarantee shall be made free and clear of, and without withholding or deduction for, any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within Qatar or any authority therein or thereof having power to tax, unless such withholding or deduction is required by law. In that event, the Guarantor shall pay such additional amounts as will result in the receipt by the Holders and Relevant Account Holders of such amounts as would have been received by them had no such withholding or deduction been required, except that no such additional amounts shall be payable:

3.1.1 **Other connection:** to, or to a third party on behalf of, a Holder or Relevant Account Holder who is liable to such taxes, duties, assessments or governmental charges in respect of such Note by reason of his having some connection with Qatar other than the mere holding of the Note; or

3.1.2 **Demand for payment more than 30 days after the Relevant Date:** in respect of any demand for payment made more than 30 days after the Relevant Date except to the extent that the Holder or Relevant Account Holder would have been entitled to such additional amounts on making such demand on the last day of such period of 30 days.

3.2 **Stamp Duties:** The Guarantor covenants to and agrees with the Holders and Relevant Account Holders that it shall pay promptly, and in any event before any penalty becomes payable, any stamp, documentary, registration or similar duty or tax payable in Qatar, Bermuda, Belgium or Luxembourg, as the case may be, or in the country of any currency in which the Notes may be denominated or amounts may be payable in respect of the Notes or any political subdivision or taxing authority thereof or therein in connection with the entry into, performance, enforcement or admissibility in evidence of this Deed and/or any amendment of, supplement to or waiver in respect of this Deed, and shall indemnify each of the Holders and Relevant Account Holders, on an after tax basis, against any liability with respect to or resulting from any delay in paying or omission to pay any such tax.

4 Amendment and Termination

4.1 The Guarantor may not amend, vary, terminate or suspend this Guarantee or its obligations hereunder unless such amendment, variation, termination or suspension shall have been approved by an Extraordinary Resolution (as defined in the Fiscal Agency Agreement) to which the special quorum provisions specified in Schedule 3 to the Fiscal Agency Agreement apply. Notwithstanding the previous sentence, nothing in this Clause shall prevent the Guarantor from increasing or extending its obligations hereunder in a manner consistent with the Relevant Rules by way of supplement to this Guarantee at any time.

4.2 Any amendment, variation, termination or suspension of this Guarantee or the Guarantor’s obligations hereunder shall be subject to the Issuer and the Guarantor having obtained the consent or non-

objection of each Relevant Regulator (if then required by the Relevant Regulator or the Relevant Rules) of the Issuer and the Guarantor.

4.3 The obligations of the Guarantor under this Guarantee shall terminate on the date on which no sum remains payable under the Notes, the Deed of Covenant or this Guarantee.

5 General

5.1 **Benefit:** This Guarantee shall enure for the benefit of the Holders and the Relevant Account Holders.

5.2 **Deposit of Guarantee:** The Guarantor shall deposit this Guarantee with the Fiscal Agent, to be held by the Fiscal Agent until all the obligations of the Guarantor have been discharged in full. The Guarantor acknowledges the right of each Holder and each Relevant Account Holder to the production of, and to obtain a copy of, this Guarantee.

6 Governing Law and Jurisdiction

6.1 **Governing Law:** This Deed and any non-contractual obligations arising out of or in connection with it shall be governed by and construed in accordance with English law, except for the subordination and waiver of set-off provisions of the Guarantee (as set out herein and in the Conditions) which will be governed under the laws of Qatar (but, for the avoidance of doubt, any assignment or deemed assignment by Noteholders or Relevant Account Holders to the Guarantor of the rights and claims of such holders against the Issuer in respect of the Notes under Condition 11(c) or 11(d) shall be governed by and construed in accordance with English law).

6.2 **Arbitration and Option to Litigate:** The Guarantor agrees that the provisions of Conditions 18(b), 18(c), 18(d) and 18 (e) shall apply to this Guarantee *mutatis mutandis* as if set out herein.

6.3 **Service of Process**: The Guarantor hereby irrevocably and unconditionally appoints Antares Underwriting Services Limited, at its registered office for the time being, as its agent for service of process in England in respect of any Proceedings and undertakes that in the event of such agent ceasing so to act it will appoint another person as its agent for that purpose. Such service shall be deemed completed on delivery to such process agent (whether or not it is forwarded to and received by the Guarantor). If for any reason such process agent ceases to be able to act as such or no longer has an address in London, the Guarantor irrevocably agrees to appoint a substitute process agent and shall immediately notify Noteholders and Relevant Account Holders of such appointment in accordance with Condition 16. Nothing shall affect the right to serve process in any manner permitted.

6.4 **Waiver of Immunity**: The Guarantor acknowledges that the transactions contemplated by the Notes are commercial transactions and, to the extent that the Guarantor, may in any jurisdiction claim for itself or its assets or revenues immunity from suit, jurisdiction, enforcement, prejudgement proceedings, injunctions, execution, attachment (whether in aid of execution, before judgment or otherwise) or other legal process or relief and to the extent that such immunity (whether or not claimed) may be attributed in any such jurisdiction to the Guarantor or any of its assets or revenues, the Guarantor agrees not to claim and irrevocably and unconditionally waives such immunity to the fullest extent permitted by the laws of such jurisdiction. In addition, the Guarantor irrevocably and unconditionally consents to the giving of any relief or the issue of any proceedings, including, without limitation, the making, enforcement or execution against any of its assets whatsoever (irrespective of its intended use) of any order, prejudgement or judgement made or given in connection with any legal or arbitral proceedings or Disputes.

In witness whereof the Guarantor has caused this deed to be duly delivered as a deed on the date stated at the beginning.

QATAR INSURANCE COMPANY S.A.Q.

By:

Name:

acting under the authority of that
company, in the presence of:

Witness's Signature:

Name:

SUMMARY OF PROVISIONS RELATING TO THE NOTES IN GLOBAL FORM

1 Initial Issue of Certificates

The Global Certificate will be registered in the name of a nominee (the "**Registered Holder**") for a common depositary for Euroclear and Clearstream, Luxembourg (the "**Common Depositary**") and may be delivered on or prior to the original issue date of the Notes.

Upon the registration of the Global Certificate in the name of any nominee for Euroclear and Clearstream, Luxembourg and delivery of the Global Certificate to the Common Depositary, Euroclear or Clearstream, Luxembourg will credit each subscriber with a nominal amount of Notes equal to the nominal amount thereof for which it has subscribed and paid.

2 Relationship of Accountholders with Clearing Systems

Each of the persons shown in the records of Euroclear, Clearstream, Luxembourg or any other clearing system ("**Alternative Clearing System**") as the holder of a Note represented by a Global Certificate must look solely to Euroclear, Clearstream, Luxembourg or any such Alternative Clearing System (as the case may be) for his share of each payment made by the Issuer to the holder of the Global Certificate and in relation to all other rights arising under the Global Certificate, subject to and in accordance with the respective rules and procedures of Euroclear, Clearstream, Luxembourg, or such Alternative Clearing System (as the case may be). Such persons shall have no claim directly against the Issuer in respect of payments due on the Notes for so long as the Notes are represented by the Global Certificate and such obligations of the Issuer will be discharged by payment to the holder of the Global Certificate in respect of each amount so paid.

3 Notices

So long as the Notes are represented by a Global Note and the Global Note is held on behalf of a clearing system, notices to Noteholders may be given by delivery of the relevant notice to that clearing system for communication by it to entitled accountholders in substitution for publication as required by the Conditions.

4 Prescription

Claims against the Issuer in respect of payments on the Notes while the Notes are represented by a Global Note will become void unless it is presented for payment within a period of 10 years from the Relevant Date referred to in Condition 12.

5 Exchange

The following will apply in respect of transfers of Notes held in Euroclear or Clearstream, Luxembourg or an Alternative Clearing System. These provisions will not prevent the trading of interests in the Notes within a clearing system whilst they are held on behalf of such clearing system, but will limit the circumstances in which the Notes may be withdrawn from the relevant clearing system.

Transfers of the holding of Notes represented by the Global Certificate pursuant to Condition 3(a) may only be made in part:

(i) if the relevant clearing system is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so; or

(ii) upon or following any failure to pay principal in respect of any Notes when it is due and payable; or

(iii) with the consent of the Issuer,

provided that, in the case of the first transfer of part of a holding pursuant to paragraph (i) or (ii) above, the Registered Holder has given the Registrar not less than 30 days' notice at its specified office of the Registered Holder's intention to effect such transfer.

6 Amendment to Conditions

The Global Certificate contains provisions that apply to the Notes that it represents, some of which modify the effect of the terms and conditions of the Notes set out in this Prospectus. The following is a summary of certain of those provisions:

6.1 Payments

All payments in respect of Notes represented by a Global Certificate will be made to, or to the order of, the person whose name is entered on the Register at the close of business on the record date which shall be on the Clearing System Business Day immediately prior to the date for payment, where "Clearing System Business Day" means Monday to Friday inclusive except 25 December and 1 January.

6.2 Meetings

For the purposes of any meeting of Noteholders, the holder of the Notes represented by the Global Certificate shall (unless the Global Certificate represents only one Note) be treated as two persons for the purposes of any quorum requirements of a meeting of Noteholders and as being entitled to one vote in respect of each integral currency unit of the currency of the Notes.

6.3 Events of Default

If principal in respect of any Note is not paid when due, the holder of a Note represented by the Global Certificate may elect for direct enforcement rights against the Issuer and the Guarantor under the terms of a Deed of Covenant executed as a deed by the Issuer and the Guarantor on 13 March 2017 to come into effect in respect of a principal amount of Notes up to the aggregate principal amount in respect of which such failure to pay has occurred in favour of the persons entitled to such payment as accountholders with a clearing system. Following any such acquisition of direct rights, the Global Certificate and the corresponding entry in the register kept by the Registrar will become void as to the specified portion. However, no such election may be made in respect of Notes represented by the Global Certificate unless the transfer of the whole or a part of the holding of Notes represented by the Global Certificate shall have been improperly withheld or refused.

6.4 Issuer's Option

Any option of the Issuer provided for in the Conditions of any Notes while such Notes are represented by a permanent Global Note shall be exercised by the Issuer giving notice to the Noteholders within the time limits set out in and containing the information required by the Conditions.

7 Electronic Consent and Written Resolution

While any Global Certificate is registered in the name of any nominee for a clearing system, then:

(a) approval of a resolution proposed by the Issuer given by way of electronic consents communicated through the electronic communications systems of the relevant Clearing System(s) in accordance with their operating rules and procedures by or on behalf of the holders of not less than 75 per cent. in

nominal amount of the Notes outstanding (an "**Electronic Consent**" as defined in the Fiscal Agency Agreement) shall, for all purposes (including matters that would otherwise require an Extraordinary Resolution to be passed at a meeting for which the Special Quorum was satisfied), take effect as an Extraordinary Resolution passed at a meeting of Noteholders duly convened and held, and shall be binding on all Noteholders whether or not they participated in such Electronic Consent; and

(b) where Electronic Consent is not being sought, for the purpose of determining whether a Written Resolution (as defined in the Fiscal Agency Agreement) has been validly passed, the Issuer shall be entitled to rely on consent or instructions given in writing directly to the Issuer by accountholders in the clearing system with entitlements to such Global Certificate or, where the accountholders hold any such entitlement on behalf of another person, on written consent from or written instruction by the person for whom such entitlement is ultimately beneficially held, whether such beneficiary holds directly with the accountholder or via one or more intermediaries and provided that, in each case, the Issuer obtained commercially reasonable evidence to ascertain the validity of such holding and has taken reasonable steps to ensure that such holding does not alter following the giving of such consent or instruction and prior to the effecting of such amendment. Any resolution passed in such manner shall be binding on all Noteholders, even if the relevant consent or instruction proves to be defective. As used in this paragraph, "commercially reasonable evidence" includes any certificate or other document issued by Euroclear, Clearstream, Luxembourg or any other relevant clearing system, or issued by an accountholder of them or an intermediary in a holding chain, in relation to the holding of interests in the Notes. Any such certificate or other document shall, in the absence of manifest error, be conclusive and binding for all purposes. Any such certificate or other document may comprise any form of statement or print out of electronic records provided by the relevant clearing system (including Euroclear's EUCLID or Clearstream, Luxembourg's CreationOnline system) in accordance with its usual procedures and in which the accountholder of a particular principal or nominal amount of the Notes is clearly identified together with the amount of such holding. The Issuer shall not be liable to any person by reason of having accepted as valid or not having rejected any certificate or other document to such effect purporting to be issued by any such person and subsequently found to be forged or not authentic.

TAXATION

Qatar

The following is a summary of the principal Qatar tax consequences for individuals and companies of ownership of the Notes based on the laws and practices of the Public Revenues and Tax Department currently in force in Qatar and may be subject to change. It deals with Noteholders who beneficially own their Notes as an investment. Particular rules not discussed below may apply to certain classes of taxpayers holding Notes, such as dealers in securities, trusts, etc. The summary does not constitute tax or legal advice and the comments below are of a general nature only. Prospective investors in the Notes should consult their professional advisers on the tax implications of the purchase, holding, redemption or sale of the Notes and the receipt of interest thereon under the laws of their country of residence, citizenship or domicile.

This general description of taxation in Qatar is based upon: (a) Law No. 21 of the year 2009 (the "Income Tax Law"); (b) the Executive Regulations of the Income Tax Law issued in June 2011 (the "Executive Regulations"); (c) Circular No.2 of 2011; and (d) the published practices that have been adopted and applied by the Director of Public Revenues and Taxes Department at the Ministry of Finance in Qatar, each as in effect on the date of this Prospectus. This general description is subject to any subsequent change in Qatar tax law, regulations and practice that may come into force after such date.

Under the Income Tax Law, tax is imposed on income derived from a source in Qatar. Income derived from a source in Qatar includes gross income arising from an activity carried on in Qatar, contracts wholly or partially performed in Qatar and real estate situated in Qatar (including the sale of shares in companies or partnerships, the assets of which consist mainly of real estate situated in Qatar). The gross income of Qatari natural persons resident in Qatar, including their shares in the profits of legal entities, is exempt from Qatar tax as is the capital gains on the disposal of real estate and securities derived by natural persons, provided that the real estate and securities so disposed of do not form part of the assets of a taxable activity. Natural or legal persons deemed subject to income tax in Qatar will either pay tax at the standard rate of 10 per cent. on the net taxable income or the tax will be withheld at source from the gross payment to be made.

A withholding tax applies to certain payments made to "non-residents" (as defined in the Income Tax Law) in respect of activities not connected with a permanent establishment in Qatar. Particularly, the Income Tax Law specifies a withholding tax rate of 7 per cent. on payments of interest. The Executive Regulations which apply to the Income Tax Law provide for certain exemptions to withholding tax on interest payments. These exemptions are: (i) interest on deposits in banks in Qatar; (ii) interest on bonds and securities issued by Qatar and public authorities, establishments, corporations and companies owned wholly or partly by Qatar; (iii) interest on transactions, facilities and loans with banks and financial institutions; and (iv) interest paid by a permanent establishment in Qatar to the head office or to an entity related to the head office outside Qatar.

The interest payments payable by the Guarantor under the Guarantee will be exempt from withholding tax, under (ii) above, on the basis that the Guarantor is currently partly owned by Qatar.

If the Guarantor ceases to have any shareholders that include Qatar or any authority thereof or any entity wholly or partly owned by Qatar, the exemption at paragraph (ii) of Article 21.4 of the Executive Regulations will cease to apply and payments in the nature of interest made by the Guarantor under the Guarantee will be subject to withholding tax. However, the Guarantee provides that in certain circumstances the Guarantor is required to pay such additional amounts as will result in receipt by the Noteholders after such withholding or deduction of such amounts as would have been received by them had no such withholding or deduction been required.

There is no stamp duty, capital gains tax or sales tax applicable in Qatar (however, unless specifically exempt under the Qatar tax law, gains of a capital nature are treated as income and taxed at the same rate as income).

Bermuda

The following is a summary of the principal Bermudian tax consequences for individuals and companies of ownership of the Notes based on the laws and practices of the Office of the Tax Commissioner currently in force in Bermuda and may be subject to change. It deals with Noteholders who beneficially own their Notes as an investment. Particular rules not discussed below may apply to certain classes of taxpayers holding Notes, such as dealers in securities, trusts, etc. The summary does not constitute tax or legal advice and the comments below are of a general nature only. Prospective investors in the Notes should consult their professional advisers on the tax implications of the purchase, holding, redemption or sale of the Notes and the receipt of interest thereon under the laws of their country of residence, citizenship or domicile.

On the date of this Prospectus, there is no required withholding or deduction for or on account of tax from source on the Notes under Bermuda law.

Holders of the Notes who are not a resident in or engaged in business through a permanent establishment in Bermuda will not be subject to any taxes or duties in Bermuda on gains realised on the disposal or redemption of a Note or on income from a Note. In addition, no registration, transfer or other similar taxes are imposed under Bermuda law by reason only of the acquisition, ownership or disposal of a Note. A holder will not be deemed to be domiciled or subject to taxation in Bermuda by reason only of holding a Note.

Under current Bermuda law, there is no income, corporate or profits tax or withholding tax, capital gains tax or capital transfer tax payable by the Issuer. The Issuer has obtained from the Bermuda Minister under The Exempted Undertaking Tax Protection Act 1966, as amended, an assurance that, in the event that Bermuda enacts legislation imposing tax computed on profits, income, any capital asset, gain or appreciation, or any tax in the nature of estate duty or inheritance, then the imposition of any such tax shall not be applicable to the Issuer or to any of its operations or its shares, debentures or other obligations, until 31 March 2035. The Issuer could be subject to taxes in Bermuda after that date. This assurance is subject to the proviso that it is not to be construed so as to prevent the application of any tax or duty to such persons as are ordinarily resident in Bermuda or to prevent the application of any tax payable in accordance with the provisions of the Bermuda Land Tax Act 1967, as amended or otherwise payable in relation to any property leased to the Issuer. The Issuer pays annual Bermuda government fees. In addition, all entities employing individuals in Bermuda are required to pay a payroll tax and there are other sundry taxes payable, directly or indirectly, to the Bermuda government.

SUBSCRIPTION AND SALE

The Managers have, in a subscription agreement dated 9 March 2017 (the "**Subscription Agreement**") made between the Issuer, the Guarantor and the Managers upon the terms and subject to the conditions contained therein, jointly and severally agreed to subscribe and pay for U.S.$450,000,000 in principal amount of the Notes at 100 per cent. of their principal amount plus any accrued interest in respect thereof from 13 March 2017 to the Closing Date. The Managers are entitled in certain circumstances to be released and discharged from their obligations under the Subscription Agreement prior to the closing of the issue of the Notes.

General

Neither the Issuer nor the Guarantor nor any Manager has made any representation that any action will be taken in any jurisdiction by the Managers or the Issuer or the Guarantor that would permit a public offering of the Notes, or possession or distribution of this Prospectus (in preliminary, proof or final form) or any other offering or publicity material relating to the Notes (including roadshow materials and investor presentations), in any country or jurisdiction where action for that purpose is required. Each Manager has agreed that it will comply to the best of its knowledge and belief in all material respects with all applicable laws and regulations in each jurisdiction in which it acquires, offers, sells or delivers Notes or has in its possession or distributes this Prospectus (in preliminary, proof or final form) or any such other material, in all cases at its own expense. It will also ensure that no obligations are imposed on the Issuer, the Guarantor or any other Manager in any such jurisdiction as a result of any of the foregoing actions.

Bermuda

The Notes may be offered or sold in Bermuda only in compliance with the provisions of the Investment Business Act 2003 and the Exchange Control Act 1972 (and regulations made thereunder) and the requirements of the related regulations of Bermuda which regulate the sale of securities in Bermuda.

Each Manager has represented, warranted and agreed that no invitation whether directly or indirectly has or will be made to the public in Bermuda to subscribe for the Notes.

Qatar

Each Manager has represented and agreed that it has not offered, delivered or sold, and will not offer, deliver or sell at any time, directly or indirectly, any Notes in Qatar (including the QFC), except: (a) in compliance with all applicable laws and regulations of Qatar (including the QFC); and (b) through persons or corporate entities authorised and licensed to provide investment advice and/or engage in brokerage activity and/or trade in respect of foreign securities in Qatar. This Prospectus has not been filed with, reviewed or approved by the QCB, the Qatar Financial Markets Authority, Qatar Financial Centre Regulatory Authority or any other relevant Qatar governmental body or securities exchange.

United Kingdom

Each Manager has represented and agreed that:

(a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000 (the "**FSMA**")) received by it in connection with the issue or sale of the Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer or the Guarantor; and

(b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

United States of America

The Notes and the Guarantee have not been and will not be registered under the Securities Act and the Notes are subject to U.S. tax law requirements. Subject to certain exceptions, the Notes may not be offered, sold or delivered within the United States or to U.S. persons.

Each Manager has represented and agreed that it has not offered, sold or delivered and will not offer, sell or deliver any Notes within the United States or to U.S. persons, except as permitted by the Subscription Agreement.

In addition, until 40 days after commencement of the offering, an offer or sale of Notes within the United States by a dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act.

Additional Selling Restrictions

Save for the application to the Central Bank of Ireland, as competent authority under the Prospectus Directive, for this Prospectus to be approved, application to the Irish Stock Exchange for the Notes to be admitted to the official list of the Irish Stock Exchange and trading on its regulated market, no action has been or will be taken in any jurisdiction by the Issuer, the Guarantor or any Manager that would, or is intended to, permit a public offering of the Notes, or possession or distribution of this Prospectus or any other offering material, in any country or jurisdiction where action for that purpose is required. Persons into whose hands this Prospectus comes are required by the Issuer, the Guarantor and each of the Managers to comply with all applicable laws and regulations in each country or jurisdiction in which they purchase, offer, sell or deliver Notes or have in their possession, distribute or publish this Prospectus or any other offering material relating to the Notes, in all cases at their own expense.

GENERAL INFORMATION

1. The creation and issue of the Notes and the entry into of all related documents has been authorised by resolutions of the board of directors of the Issuer dated 20 September 2016. The giving of the Guarantee and the entry into of all related documents has been authorised by a resolution of the Board of Directors of the Guarantor passed on 18 October 2016.

2. There are no, nor have there been, any litigation, governmental or arbitration proceedings, including any which are pending or threatened of which the Issuer or the Guarantor is aware, which may have, or have had during the 12 months prior to the date of this Prospectus, a significant effect on the Issuer's, the Guarantor's or the Group's respective consolidated financial positions or profitability.

3. There has been no significant change in the financial or trading position of the Guarantor and there has been no material adverse change in the financial position or prospects of the Guarantor since 31 December 2016 (being the date of the Guarantor's latest audited consolidated accounts).

4. There has been no significant change in the financial or trading position of the Issuer and there has been no material adverse change in the financial position or prospects of the Issuer since 31 December 2016 (being the date of the Issuer's latest audited consolidated accounts).

5. The auditors of the Issuer are Deloitte & Touche, Qatar Branch, of Al Ahli Bank – Head Office Building, Suhaim Bin Hamad Street, Al Sadd Area, P.O. Box 431, Doha, Qatar. Deloitte & Touche, Qatar Branch is a firm registered under Ministry of Economy and Commerce license number 12877 appearing in the public register of approved auditing firms held by the Accounts Auditors section at the Ministry of Economy and Commerce. The auditors of the Guarantor are Ernst and Young (Qatar Branch), of P.O. Box 164, Burj Al Gassar, 24th floor, Majlis Al Taawon Street, Onaiza, West Bay, Doha, State of Qatar. Ernst and Young (Qatar Branch) is a firm registered under Ministry of Economy and Commerce license number 4 appearing in the public register of approved auditing firms held by the Accounts Auditors section at the Ministry of Economy and Commerce. The consolidated financial statements of the Issuer and the Guarantor have been audited without qualification for the two financial years immediately preceding the date of this Prospectus by Deloitte & Touche, Qatar Branch.

6. Electronic copies of the following documents may be inspected during normal business hours at the registered office of the Issuer for the life of this Prospectus:

   (a) the constitution of the Issuer, (with an English translation thereof);

   (b) the constitution of the Guarantor;

   (c) this Prospectus;

   (d) the deed of guarantee dated 13 March 2017;

   (e) the deed of covenant dated 13 March 2017;

   (f) the Fiscal Agency Agreement; and

   (g) the audited consolidated financial statements of the Issuer and the Guarantor for the years ended 31 December 2016 and 31 December 2015.

7. The Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg. The ISIN is XS1577847145 and the common code is 157784714.

8. Application has been made to the Irish Stock Exchange for the Notes to be admitted to the official list of the Irish Stock Exchange by the Issuer through Arthur Cox Listing Services Limited (the "**Listing**

Agent"). The Listing Agent is acting solely in its capacity as listing agent for the Issuer in connection with the Notes and is not itself seeking admission of the Notes to the official list of the Irish Stock Exchange or to trading on the Main Securities Market for the purposes of the Prospectus Directive. The Main Securities Market is a regulated market for the purposes of the Markets in Financial Instruments Directive 2004/39/EC. The expenses in relation to admission to trading on the regulated market of the Irish Stock Exchange are estimated to be €7,000.

9. It is expected that the admission to listing on the official list of the Irish Stock Exchange and the admission to trading on the regulated market of the Irish Stock Exchange of the Notes will be granted on or around 13 March 2017, subject only to the issue of the Global Certificate.

10. Certain of the Managers and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform services to the Issuer, the Guarantor and/or their affiliates in the ordinary course of business.

11. The Managers and their respective affiliates may have positions, deal or make markets in the Notes, related derivatives and reference obligations, including (but not limited to) entering into hedging strategies on behalf of the Issuer and its affiliates, investor clients, or as principal in order to manage their exposure, their general market risk, or other trading activities. In addition, in the ordinary course of their business activities, the Managers and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Guarantor, the Issuer or their affiliates. Certain of the Managers or their respective affiliates that have a lending relationship with the Issuer and/or the Guarantor routinely hedge their credit exposure consistent with their customary risk management policies. Typically, such Managers and their respective affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in securities, including potentially the Notes. Any such positions could adversely affect future trading prices of Notes. The Managers and their respective affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

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QATAR INSURANCE COMPANY S.A.Q.

CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT FOR THE YEAR ENDED DECEMBER 31, 2016

QATAR INSURANCE COMPANY S.A.Q.
CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

For the year ended December 31, 2016

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RN: 000247/WS/FY2017

INDEPENDENT AUDITOR'S REPORT

The Shareholders
Qatar Insurance Company S.A.Q.

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Qatar Insurance Company S.A.Q. (the "Parent Company") and its subsidiaries (together the "Group"), which comprise the consolidated statement of financial position as at December 31, 2016 and the consolidated statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group as at December 31, 2016, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants ("IESBA Code")* together with the ethical requirements that are relevant to our audit of the consolidated financial statements in Qatar, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of these consolidated financial statements for the year ended December 31, 2016. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matters	How our audit addressed the key audit matter
Valuation of Claims reported and unsettled, Unearned premiums ("UPR") and Claims incurred but not reported reserves ("IBNR")	
As shown in Note 7, the Group maintained three types of insurance contract liabilities during the normal course of its insurance business which are as follows;	We performed our audit procedures based on significant identified risks relating to the claims and reserving process.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Key Audit Matters (Continued)	How our audit addressed the key audit matter (Continued)
Valuation of Outstanding claims, Unearned premiums ("UPR") and Claims incurred but not reported reserves ("IBNR") (continued)	
1. Outstanding claims: These claims are estimated based on internal estimates, and amounts notified by lead insurers and loss adjudicators including estimated claims handling cost. 2. Incurred But Not Reported (IBNR): Management estimates IBNR claims using estimated percentages based on historical data and trend analysis. For certain lines of non-proportional and reinsurance business written and long term credit life, IBNR has been estimated using actuarial assumptions. 3. Unexpired Premium Reserve (UPR): For Middle East regional entities, the reserve has been created using the Group's reserve policy. This policy is challenged internally by sensitivity and historical performance analysis. Actuarial assumptions are applied where the underlying risk is long-term in nature and to meet the regulatory requirements. For Europe based entities, the revenue from certain lines of business has been recognised using actuarial assumptions made by in-house actuaries. The valuation of Outstanding Claims, UPR and IBNR are subject to management's assumptions and key judgements which include a range of historic trend analysis, empirical data and standard actuarial claim projection techniques. Small changes in assumptions, discount rate, data or ratio used could result in material changes to the reserves recognized by the Group.	We performed our audit procedures which were a combination of internal control reliance strategy and specific substantive procedures focusing on the significant risk. Such procedures, include, but not limited to; • Assessing the appropriateness and consistency of reserving methodologies used in the computation of reserves held by the Group, including sensitivity of such reserves to changes in key assumptions and judgements; • Assessing the development of Outstanding Claims and IBNR by performing a review of retrospective historical performance of the estimates and judgements made by the Group; and • Wherever required, used Audit support actuarial specialists to evaluate the estimates performed by actuarial experts for the Group's material subsidiaries.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

<table>
<tr><th>Key Audit Matters (Continued)</th><th>How our audit addressed the key audit matter (Continued)</th></tr>
<tr><td colspan="2">Impairment of Goodwill and Intangible Assets with Indeterminate Useful Life</td></tr>
<tr><td>As stated in Note 12, the Group recognized Goodwill and indeterminate useful life intangible assets on the acquisition of Antares Group, UK during the year 2014. As required by applicable accounting standards, the Group performs impairment reviews of the goodwill and intangible assets at least annually to assess their recoverability. Such procedures performed by the Group includes;
• Determining the recoverable amount of Goodwill using the market value based approach (market capitalization)
• Determining the recoverable amount of Lloyd's Syndicate capacity using the market price capacity based on regression analysis using average return on capital and other observable data available in Lloyd's Syndicate.

The procedures above involves key judgements and estimates. The Group has used internal experts to perform the impairment reviews of the Goodwill and relevant intangible assets.</td><td>Our testing primarily focused on the key assumptions and judgements made by the Group. We have used our experts to assist on those areas of work performed by the management's internal expert. Our procedures performed includes;
• Test the rationale behind the assumptions and key judgements applied by the management;
• Whether the model used for the cash generating units ("CGUs") is appropriate as per the requirements of relevant accounting standards;
• Sensitivity analysis and average return on capital; and
• Using the observable input available in the Lloyd's market.</td></tr>
<tr><td colspan="2">Valuation of Investments</td></tr>
<tr><td>As stated in Note 9, the Group has a wide portfolio of investments. The valuation and measurement of quoted and unquoted investment as at December 31, 2016 involve significant level of judgement and in particular the impairment assessment of the available for sale, unquoted shares and private equity.</td><td>We tested the valuation of investments as follows:
1. Test and challenge management rationale for the key judgements used in the valuation process;
2. For held for trading investments, test the prices available from established market sources as at December 31, 2016; and
3. For Available for sale investments, in addition to testing the valuation, we tested management assessments of significant and prolonged decline in available for sale quoted and unquoted investments and, for any potential impairment to ascertain whether any additional impairment loss is required to be recorded at each investment level.</td></tr>
</table>

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Other Information

The directors are responsible for the other information. The other information comprises the Board of Directors Report which we obtained prior to the date of this auditor's report and the Annual Report, which is expected to be made available to us after the date of this auditor's report. The other information does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and Those Charged with Governance for the Consolidated Financial Statements

The Board of Directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, and for such internal control as the Board determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (Continued)

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation; and
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Report on Other Legal and Regulatory Requirements

We are also of the opinion that proper books of account were maintained by the Group. We have obtained all the information and explanations which we considered necessary for the purpose of our audit. The financial information included in the Board of Directors' report addressed to the General assembly is in agreement with the books and records of the Company. To the best of our knowledge and belief and according to the information given to us, no contraventions of the applicable provisions of Qatar Central Bank rules, Qatar Commercial Companies Law and the Parent Company's Articles of Association were committed during the year which would materially affect the Group's activities or its financial position.

Doha – Qatar
February 16, 2017

For **Deloitte & Touche**
Qatar Branch

Walid Slim
Partner
License No. 319

QIC
شـركة قطـر للتـأمين
Qatar Insurance Company

QATAR INSURANCE COMPANY S.A.Q.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at December 31, 2016

	Notes	2016	2015 Restated	As at 1 January 2015 Restated
		(QR '000)	(QR '000)	(QR '000)
ASSETS				
Cash and cash equivalents	5	**6,962,310**	3,518,760	2,646,907
Insurance and other receivables	6	**6,652,577**	6,481,460	2,820,028
Reinsurance contract assets	7	**2,493,439**	2,128,405	1,238,857
Equity accounted investments	8	**138,841**	83,125	77,065
Investments	9	**11,435,065**	10,593,623	8,715,618
Investment properties	10	**575,818**	407,988	375,070
Property and equipment	11	**40,300**	41,406	38,665
Goodwill and intangible assets	12	**417,114**	418,560	420,006
TOTAL ASSETS		**28,715,464**	23,673,327	16,332,216
LIABILITIES AND EQUITY				
LIABILITIES				
Short term borrowings	13	**4,065,311**	3,543,243	2,429,536
Provisions, reinsurance and other payables	14	**2,471,451**	2,367,934	1,660,759
Insurance contract liabilities	7	**13,583,283**	11,768,077	6,318,414
Long term borrowings	15	**127,196**	--	--
TOTAL LIABILITIES		**20,247,241**	17,679,254	10,408,709
EQUITY				
Share capital	16	**2,411,387**	1,846,214	1,605,404
Legal reserve	17	**3,145,623**	1,514,143	1,408,179
General reserve	18	**287,000**	287,000	287,000
Fair value reserve	19	**110,870**	139,198	601,000
Catastrophe special reserve	20	**329,526**	277,344	227,251
Foreign currency translation reserve	21	**(15,133)**	--	--
Retained earnings		**1,966,833**	1,748,389	1,575,949
Equity attributable to owners of the Company		**8,236,106**	5,812,288	5,704,783
Non-controlling interests		**232,117**	181,785	218,724
TOTAL EQUITY		**8,468,223**	5,994,073	5,923,507
TOTAL LIABILITIES AND EQUITY		**28,715,464**	23,673,327	16,332,216

These consolidated financial statements were approved by the Board of Directors and signed on its behalf by the following signatories on January 24, 2017.

H.E. Sheikh Khalid Bin Mohammed Bin Ali Al-Thani
Chairman and Managing Director

Khalifa Abdulla Turki Al Subaey
Group President and Chief Executive Officer

THE ATTACHED NOTES ARE AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS

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QATAR INSURANCE COMPANY S.A.Q.

CONSOLIDATED STATEMENT OF INCOME
For the year ended December 31, 2016

	Notes	2016	2015 Restated
		(QR '000)	(QR '000)
Gross premiums	22 (a)	**9,901,394**	8,347,210
Premiums ceded to reinsurers	22 (a)	**(1,323,307)**	(1,189,778)
Net premiums		**8,578,087**	7,157,432
Movement in unexpired risk reserve	22 (a)	**(218,200)**	(1,370,259)
Net earned premiums		**8,359,887**	5,787,173
Gross claims paid	22 (a)	**(4,817,792)**	(2,973,946)
Reinsurance recoveries	22 (a)	**813,629**	708,667
Movement in outstanding claims	22 (a)	**(1,764,855)**	(1,606,230)
Net commission	22 (a)	**(1,754,717)**	(999,317)
Other insurance income	22 (a)	**7,531**	9,396
Net underwriting result		**843,683**	925,743
Investment income	23	**856,260**	739,537
Finance costs	23	**(44,798)**	(27,441)
Net investment income	23	**811,462**	712,096
Advisory fee income		**51,286**	123,063
Rental income		**39,417**	45,506
Other income		**4,424**	3,371
Total income		**1,750,272**	1,809,779
Operating and administrative expenses	24	**(684,904)**	(731,121)
Depreciation and amortisation		**(32,052)**	(29,229)
Profit before share of results from equity accounted investments		**1,033,316**	1,049,429
Share of profit from equity accounted investments		**18,262**	14,560
Profit for the year		**1,051,578**	1,063,989
Attributable to:			
Equity holders of the parent		**1,034,018**	1,043,636
Non-controlling interests		**17,560**	20,353
		1,051,578	1,063,989
Earnings per share			
Basic and diluted earnings per share attributable to ordinary equity holders of the parent in Qatari Riyals (2015: Restated as a result of bonus and rights issue)	25	**4.48**	4.84
Cash dividend per share in Qatari Riyals	26	**1.50**	2.50

THE ATTACHED NOTES ARE AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended December 31, 2016

	2016	2015 Restated
	(QR '000)	(QR '000)
Profit for the year	**1,051,578**	1,063,989
Other comprehensive income (OCI)		
OCI to be reclassified to profit or loss in subsequent periods		
Net changes in fair value of available-for-sale financial assets	**(26,702)**	(469,815)
Foreign currency translation differences for foreign operations	**(15,133)**	--
Total comprehensive income to be reclassified to profit or loss in subsequent periods	**(41,835)**	(469,815)
Total comprehensive income for the year	**1,009,743**	594,174
Total comprehensive income attributable to:		
Equity holders of the parent	**989,332**	581,965
Non-controlling interests	**20,411**	12,209
	1,009,743	594,174

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QATAR INSURANCE COMPANY S.A.Q.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended December 31, 2016

	Share capital	Legal reserve	General reserve	Fair value reserve	Catastrophe special reserve	Foreign currency translation	Retained earnings	Attributable to owners of the parent	Non-controlling interests	Total equity
	(QR '000)	(QR '000)	(QR '000)	(QR '000)	(QR '000)	(QR '000)	(QR '000)	(QR '000)	(QR '000)	(QR '000)
Balance as at January 1, 2015	1,605,404	1,408,179	287,000	601,000	227,251	--	1,575,949	5,704,783	218,724	5,923,507
Profit for the year	--	--	--	--	--	--	1,043,636	1,043,636	20,353	1,063,989
Net change on available for sale investments	--	--	--	(461,671)	--	--	--	(461,671)	(8,144)	(469,815)
Total comprehensive income for the year	--	--	--	(461,671)	--	--	1,043,636	581,965	12,209	594,174
Dividend for the year 2014	--	--	--	--	--	--	(401,351)	(401,351)	(7,378)	(408,729)
Issuance of bonus shares	240,810	--	--	--	--	--	(240,810)	--	--	--
Transfer to legal reserve	--	104,553	--	--	--	--	(104,553)	--	--	--
Increase in non-controlling interest	--	--	--	--	--	--	--	--	8,320	8,320
Contribution to social and sports fund	--	--	--	--	--	--	(6,272)	(6,272)	--	(6,272)
Transfer to catastrophe special reserve	--	--	--	--	50,093	--	(50,093)	--	--	--
Effect of acquisition/sale of stake in a subsidiary by NCI	--	1,411	--	(131)	--	--	(68,117)	(66,837)	(50,090)	(116,927)
Balance as at December 31, 2015	**1,846,214**	**1,514,143**	**287,000**	**139,198**	**277,344**	--	**1,748,389**	**5,812,288**	**181,785**	**5,994,073**
Profit for the year	--	--	--	--	--	--	1,034,018	1,034,018	17,560	1,051,578
Net change on available for sale investments	--	--	--	(29,553)	--	--	--	(29,553)	2,851	(26,702)
Foreign currency translation	--	--	--	--	--	(15,133)	--	(15,133)	--	(15,133)
Total comprehensive income for the year	--	--	--	(29,553)	--	(15,133)	1,034,018	989,332	20,411	1,009,743
Dividend for the year 2015	--	--	--	--	--	--	(461,554)	(461,554)	--	(461,554)
Issuance of bonus shares	184,621	--	--	--	--	--	(184,621)	--	--	--
Issuance of share rights	380,552	1,521,431	--	--	--	--	--	1,901,983	--	1,901,983
Transfer to legal reserve	--	108,891	--	--	--	--	(108,891)	--	--	--
Increase in non-controlling interest	--	--	--	--	--	--	--	--	31,015	31,015
Contribution to social and sports fund	--	--	--	--	--	--	(6,207)	(6,207)	--	(6,207)
Transfer to catastrophe special reserve	--	--	--	--	52,182	--	(52,182)	--	--	--
Effect of acquisition/sale of stake in a subsidiary by NCI	--	1,158	--	1,225	--	--	(2,119)	264	(1,094)	(830)
Balance as at December 31, 2016	**2,411,387**	**3,145,623**	**287,000**	**110,870**	**329,526**	**(15,133)**	**1,966,833**	**8,236,106**	**232,117**	**8,468,223**

THE ATTACHED NOTES ARE AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS

QATAR INSURANCE COMPANY S.A.Q.

CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended December 31, 2016

	2016	2015 Restated
	(QR '000)	(QR '000)
OPERATING ACTIVITIES		
Profit for the year	**1,051,578**	1,063,989
Adjustments for :		
Depreciation of property and equipment and investment properties	**30,606**	27,783
Amortization of intangible assets, net	**1,446**	1,446
Impairment loss on investments	**1,521**	144,891
Share of profit from equity accounted investments	**(18,262)**	(14,560)
Investment income and other finance income	**(619,770)**	(857,060)
Impairment loss on doubtful receivables	**12,091**	7,503
Provision for employees' end of service benefits	**7,703**	8,761
Net foreign exchange loss on property and equipment	**1,947**	251
Gain on sale of investment property	**(190,674)**	--
Loss on sale of property and equipment	**451**	--
Net unrealised gain on investments	**(20,682)**	73
Operating profit before working capital changes	**257,955**	383,077
Working capital changes		
Change in insurance and other receivables	**(62,604)**	(3,804,672)
Change in insurance reserves – net	**1,450,172**	4,560,116
Change in provisions, reinsurance and other payables	**(163,631)**	852,165
Cash generated from operations	**1,481,892**	1,990,686
Payment of social and sports fund contribution	**(6,207)**	(12,848)
Employees' end of service benefits paid	**(3,955)**	(11,918)
Net cash generated from operating activities	**1,471,730**	1,965,920
INVESTING ACTIVITIES		
Net cash movements in investments	**(901,808)**	(2,442,811)
Purchase of property and equipment	**(17,627)**	(18,129)
Purchase of investment properties	**(232,264)**	(45,564)
Net movement in equity accounted investments	**(48,654)**	--
Dividend received from equity accounted investment	**11,200**	8,500
Investment income and other finance income	**619,770**	857,060
Proceeds from sale of investment property	**360,000**	--
Net cash used in investing activities	**(209,383)**	(1,640,944)

	Note	2016	2015 Restated
		(QR '000)	(QR '000)
FINANCING ACTIVITIES			
Dividends paid to non-controlling interests		--	(7,378)
Acquisition of non-controlling interests, net		**32,304**	(116,927)
Increase in non-controlling interest		**732**	8,320
Increase in share capital through rights issue		**1,901,983**	--
Net movement interest bearing borrowings		**699,237**	1,063,734
Dividends paid		**(453,053)**	(400,872)
Net cash generated from financing activities		**2,181,203**	546,877
Net increase in cash and cash equivalents		**3,443,550**	871,853
Cash and cash equivalents at the beginning of the year		**3,518,760**	2,646,907
Cash and cash equivalents at the end of the year	5	**6,962,310**	3,518,760

1. STATUS AND OPERATIONS

Qatar Insurance Company S.A.Q. (the "Parent Company") is a public shareholding company incorporated in the State of Qatar in 1964 under Commercial Registration No. 20 and governed by the provisions of the Qatar Commercial Companies' Law and Qatar Central Bank regulations. The Parent Company and its subsidiaries (the "Group") are engaged in the business of insurance, reinsurance, real estate and financial advisory services.

The Group operates in the State of Qatar, United Arab Emirates, Sultanate of Oman, State of Kuwait, United Kingdom, Switzerland, Bermuda, Singapore, Malaysia and Malta. The details of subsidiaries are given below:

Name of the subsidiary	Ownership	Country of incorporation	Principal activities
QIC Capital LLC ("QICC")	95.74 % (2015: 91.79%)	State of Qatar	Incorporated as a holding company to hold equity interest in the Group's international and regional insurance entities.
QIC International L.L.C. ("QICI")	100% (owned through QICC)	State of Qatar	Primarily engaged in insurance and reinsurance. QICI manages the regional operations of the Group and has 2 overseas branches in Dubai (United Arab Emirates), and Abu Dhabi (United Arab Emirates).
Oman Qatar Insurance Company ("OQIC")	70% (owned through QICI)	Sultanate of Oman	Primarily engaged in insurance and reinsurance.
Kuwait Qatar Insurance Company ("KQIC")	82.04% (owned through QICI)	State of Kuwait	Primarily engaged in insurance and reinsurance.
Qatar Reinsurance Company Limited ("Qatar Re")	100% (owned through QICC)	Bermuda	Primarily engaged in reinsurance. Qatar Re manages the reinsurance operations of the Group and has a branch office in Switzerland, Dubai, and Singapore, and a representative office in United Kingdom.
Qatar Reinsurance Services LLC	100% (owned through Qatar Re)	State of Qatar	Primarily engaged in providing services to Qatar Re.
Qatar Re Underwriting Limited	100% (owned through QICC)	United Kingdom	Incorporated to provide capital supporting the underwriting capacity at Lloyds.
Q Life & Medical Insurance Co LLC	85%	State of Qatar	Primarily engaged in life and medical insurance business and has a branch office in Labuan, Malaysia.
Antares Group Holdings Limited ("AGHL")	100% (owned through QICC)	United Kingdom	Incorporated as a holding company.
Antares Underwriting Limited	100% (owned through AGHL)	United Kingdom	Incorporated to provide capital supporting the underwriting capacity of Antares Syndicate 1274.
Antares Managing Agency Limited ("AMAL")	100% (owned through AGHL)	United Kingdom	Incorporated to act as a managing agent for Antares Syndicate 1274.
Antares Underwriting Asia Pte. Limited	100% (owned through AMAL)	Singapore	Incorporated to participate in Lloyds Asia Scheme.
Antares Underwriting Services Limited	100% (owned through AGHL)	United Kingdom	Incorporated as a services company to provide services to AMAL and Antares Syndicate 1274.

1. STATUS AND OPERATIONS (CONTINUED)

Name of the subsidiary	Ownership	Country of incorporation	Principal activities
Antares Capital I Limited	100% (owned through AGHL)	United Kingdom	Incorporated to provide capital supporting the underwriting capacity of Antares Syndicate 1274.
Antares Capital III Limited	100% (owned through AGHL)	United Kingdom	Incorporated to provide capital supporting the underwriting capacity of Antares Syndicate 1274.
Antares Capital IV Limited	100% (owned through AGHL)	United Kingdom	Incorporated to provide capital supporting the underwriting capacity of Antares Syndicate 1274.
Antares Holding Limited	100%	Bermuda	Incorporated holding company.
QIC Europe Limited	100%	Malta	Primarily engaged in insurance business
QANIT Ltd.	100% (owned through QICI)	UAE	Primarily engaged in Real Estate activities in the UAE.
Qatar Insurance Company Real Estate W.L.L.	100%	State of Qatar	Primarily engaged in Real Estate activities in the State of Qatar.
Qatar Economic Advisors W.L.L. ("QEA")	100%	State of Qatar	Primarily engaged in financial and other advisory services.
Qatar Insurance Group W.L.L	100%	State of Qatar	Primarily engaged in the management of QIC Group entities.
CATCo Investment Management Ltd. ("CATCO-IM")	100%	Bermuda	Primarily engaged in providing investment management services.
CATCo-Re Ltd.	100% (owned through CATCO-IM)	Bermuda	Primarily engaged in issuance of fully collateralized reinsurance contracts for CATCO Re Fund.
QIC Asset Management Ltd ("QICAM")	100% (owned through QEA)	Cayman Islands	Primarily engaged in financial and other advisory services.
Education Company 2 Ltd.	100%	Cayman Islands	Primarily engaged in financial and other advisory services.
Epicure Managers Qatar Ltd.	100%	B.V.I.	Primarily engaged in providing investment management services.
Taleem Advisory Ltd.	100% (owned through QEA)	Cayman Islands	Primarily engaged in financial and other advisory services.
Arneb Real Estate Limited	100%	Jersey	Primarily engaged in real estate activities.
Synergy Frimley Limited	100% (owned through Arneb Real Estate Limited)	Jersey	Primarily engaged in real estate activities.

During the year, as part of the group restructuring, the Parent Company transferred its investment in the subsidiary, Antares Group Holding (UK) to QIC Capital LLC at the book value against the equity shares issued by QIC Capital LLC. This transaction is considered as a transaction under common control and there is no gain or loss recognised in the profit or loss of the Group.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs)

In the current financial year, the Group has adopted certain new and revised standards and interpretations, which are mainly:

IFRS 11	The amendments to IFRS 11 require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business, must apply the relevant IFRS 3 Business Combinations principles for business combination accounting.

The revised standards issued by IASB and IFRIC interpretations which are effective from the accounting period commencing January 1, 2016, had no significant effect on the consolidated financial statements of the Group for the year ended December 31, 2016.

The following IASB Standards and IFRIC interpretations issued but, are not mandatory for the year ended December 31, 2016, have not yet been adopted by the Group:

- **IFRS 9 - "Financial Instruments"** was issued to replace IAS 39 – "Financial Instruments: Recognition and Measurement". IFRS 9 simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortized cost and fair value. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Temporary exemption: For the company with insurance contracts as per IFRS 4 and meeting the criterion for engaging in predominantly insurance activities ("Predominance criterion"), the amendment in 2016 provided the option to continue current IFRS accounting and to defer the application of IFRS 9 until the earlier application of new insurance standards or periods beginning on or after January 1, 2021(the "sunset clause"). The amendment also provides the company with insurance contracts within scope of IFRS 4 with an option to apply IFRS 9 in full nut to make an adjustment to profit or loss to remove the impact of IFRS 9 ("overlay approach"). The assessment on Predominance criterion are expected to be made at the reporting entity level and at the annual reporting date immediately preceding April 1, 2016 (e.g. December 31, 2015). Thereafter it should not be reassessed, unless there is a significant change in the entity's activities that would trigger mandatory assessment. As per the initial assessment made by the Company, IFRS 9 Financial Instruments will be applicable for annual periods beginning on or after January 1, 2018;
- **IFRS 15 Revenue from Contracts with Customer** - IFRS 15 was issued in May 2014 and establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.
- Certain consequential amendments to IFRS 7 "Financial Instrument disclosures" and IAS 39 (Revised) due to application of IFRS 9, detailed above.
- **Annual improvement – 2012-2014 cycle** - *IFRS 5 Non-current Assets Held for Sale and Discontinued Operations, IFRS 7 Financial Instruments: Disclosures , IAS 19 Employee Benefits and IAS 34 Interim Financial Reporting*
- The amendments address the conflict between IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture.

The Group is currently in the process of evaluating the potential effect of these amendments in the presentation of the consolidated financial statements.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs) (CONTINUED)

In addition, a number of new standards, amendments to standards and interpretations that are not yet effective for the year ended December 31, 2016 have not been applied in preparing these consolidated financial statements. The Group does not expect these standards, amendments to standards and interpretations which will become mandatory for the consolidated financial statements for the year 2017 or thereafter, to have a significant impact on the consolidated financial statements.

3. BASIS OF PREPARATION

a) Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and the applicable provisions of the Qatar Commercial Companies Law and Qatar Central Bank regulations.

b) Basis of preparation

The accompanying consolidated financial statements have been prepared under the historical cost convention, except for certain financial instruments that are measured at fair value at the end of each reporting period.

Financial assets and financial liabilities are offset and the net amount reported in these consolidated statement of financial position only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liability simultaneously. Income and expense are not offset in the consolidated statement of income unless required or permitted by any accounting standard or interpretation, as specifically disclosed in the accounting policies of the Group.

The consolidated financial statements provide comparative information in respect of the previous period. In addition, the Group presents an additional statement of financial position at the beginning of the earliest period presented when there is a retrospective application of an accounting policy, a retrospective restatement, or a reclassification of items in financial statements. An additional statement of financial position as at January 1, 2015 is presented in these consolidated financial statements due to reclassification of items in financial statements. See Note 38.

c) Functional and presentation currency

These consolidated financial statements are presented in Qatari Riyal (QR) and rounded to the nearest thousand (QR '000), unless otherwise indicated.

d) Significant accounting judgements and estimates

The Group makes judgements, estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, expenses and disclosure of contingent liabilities at the reporting date. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimates are revised and in any future years affected. The key judgements and estimates made by the Group are detailed in Notes 33 and 34.

4. SIGNIFICANT ACCOUNTING POLICIES

a) Consolidation, translation and financial instruments

i) Basis of consolidation

Subsidiaries

The consolidated financial statements incorporate the financial statements of the Parent Company and entities controlled by the Parent Company directly or indirectly as at December 31st of each year. All subsidiaries have December 31st as financial year end.

Subsidiaries are all entities over which the Group has control. Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date when such control ceases. The financial statements of the subsidiary companies are prepared for the same reporting period as the Parent Company, using consistent accounting policies. When necessary, adjustments are made to bring the accounting policies in line with those of the group.

Control is achieved when the Parent Company directly or indirectly (i) has power over the investee, (ii) has exposure or rights to variable returns from its involvement with the investee and (iii) has the ability to use its power to effect those returns.

The Parent Company reassesses whether or not it controls an investee and facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Parent Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Parent Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

All significant intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Parent Company.

Non-controlling interests represent the portion of profit or loss and net assets not held by the Group and are presented separately in the consolidated statement of income and within equity in the consolidated statement of financial position, separately from parent shareholders' equity.

When the Group ceases to control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in the consolidated statement of income. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to the consolidated statement of income.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

a) Consolidation, translation and financial instruments (continued)

i) Basis of consolidation (continued)

Investments in associates and jointly controlled entities
Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. When necessary, adjustments are made to bring the accounting policies in line with those of the group.

Joint ventures are joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

Investments in associates and jointly controlled entities are accounted for using the equity method.

Under the equity method, the investment is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognize the Group's share of profit or loss and other comprehensive income of the associate or joint venture. When the Group's share of losses exceeds its interest in an equity-accounted investee, the carrying amount of that interest, including any long-term investments, is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

The consolidated financial statements include the Group's share of profit or loss and other comprehensive income, after adjustments to align the accounting policies with those of the Group, from the date that significant influence or joint control commences until the date that significant influence or joint control ceases. The financial yearend of the associate entities and the Group are uniform.

Gains and losses resulting from downstream transactions between the Group and its associate or joint venture are recognised in the entity's financial statements only to the extent of unrelated investors interest in the associate or joint venture.

Business combination
Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognized in consolidated statement of income as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognized at their fair value.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held in equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed as at date of acquisition. If the net of the acquisition date amounts of identifiable asset acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree (if any), the excess is recognized immediately in the consolidated statement of income as a bargain purchase gain.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

a) Consolidation, translation and financial instruments (continued)

i) Basis of consolidation (continued)

Goodwill (continued)
Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment at least annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in the consolidated statement of income. An impairment loss recognised for goodwill is not reversed in subsequent periods

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Intangible assets
Intangible assets acquired in a business combination and recognized separately from goodwill are initially recognized at cost which is their fair value as at the date of acquisition. Subsequent to initial recognition,

- Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the consolidated statement of income.

- Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash generating unit level. Such intangibles are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is made on prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the consolidated statement of income when the asset is derecognised.

The current policy applied to the Group's intangible assets is as follows:

Intangible assets acquired	*Economic Life*
Syndicate Capacity	Indefinite
Runoff services Württembergische Versicherung AG	7 years

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

a) Consolidation, translation and financial instruments (continued)

ii) Foreign currency

Foreign operations
The individual financial statements of the Group entities are presented in the currency of the primary economic environment in which they operate (functional currency). For the purpose of these consolidated financial statements, the results and financial position of each subsidiary are expressed in the functional currency of the Parent Company.

The assets and liabilities of foreign operations are translated to Qatari Riyal using exchange rates prevailing at the reporting date. Income and expenses are also translated to Qatari Riyal at the exchange rates prevailing at the reporting date, which do not significantly vary from the average exchange rates for the year. The exchange differences arising on the translation for consolidation are recognised in OCI.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences are recognized in other comprehensive income.

Foreign currency transactions
Foreign currency transactions are recorded in the respective functional currencies of Group entities at the rates of exchange prevailing at the date of each transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the respective functional currencies at the rate of exchange prevailing at the year end. The resultant exchange differences are included in the consolidated statement of income.

iii) Financial instruments

Financial instruments represent the Group's financial assets and liabilities. Financial assets include cash and cash equivalents, insurance and other receivables and investments. Financial liabilities include borrowings and other payables.

Financial asset or liability is initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in the consolidated statement of income.

Recognition
The Group initially recognizes cash and cash equivalents, insurance and other receivables, borrowings and other payables at the date that they originate. All other financial assets and liabilities are initially recognized at the trade date or settlement date when the Group becomes a party to the contractual provisions of the instrument.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

a) Consolidation, translation and financial instruments (continued)

iii) Financial instruments (continued)

De-recognition
The Group derecognizes a financial asset when the contractual rights to receive cash flows from that asset expire or it transfers the right to receive the contractual cash flow of that asset in a transaction in which substantially all the risks and rewards of ownership of the financial assets are transferred. Any interest in the transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability. The Group derecognizes a financial liability when its contractual obligations are discharged or cancelled or expired.

Measurement
The measurement of financial assets and liabilities is disclosed under accounting policy for respective financial assets and liabilities.

Fair values of financial instruments
Fair value is the amount for which an asset could be exchanged or a liability settled between knowledgeable willing parties on an arm's length transaction at the measurement date. Differences can therefore arise between the book values under the historical cost method and fair value estimates.

Underlying the definition of fair value is a presumption that an enterprise is a going concern without any intention or need to liquidate, curtail materially the scale of its operations or undertake a transaction on adverse terms.

Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognized in the profit or loss as they arise.

Fair values of marketable investments are determined by reference to their bid prices at the close of business at the reporting date. In respect of unquoted available for sale financial assets, the fair value is determined based on various valuation techniques, as deemed appropriate. The fair values of the Group's other financial assets and financial liabilities are not materially different from their carrying values.

Impairment of financial asset
At each reporting date, the Group assesses whether there is objective evidence that any financial asset is impaired. Financial assets are impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset, and that the loss event has an impact on the future cash flows of the asset that can be estimated reliably.

Objective evidence that financial assets are impaired can include default or delinquency by a customer or insurer or reinsurer, indications that the customer or insurer or reinsurer will enter bankruptcy or the disappearance of an active market for a security. In addition for an investment in equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment. Impairment loss on assets are recognised in the consolidated statement of income and reflected as an allowance against receivables or investments.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

b) Insurance operations

i) Insurance and other receivables
Insurance and other receivables are recognised when due and measured on initial recognition at the fair value of the consideration received or receivable. The carrying value of the receivables is reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable, with the impairment loss recorded in the consolidated statement of income. After initial measurement, insurance and other receivables are measured at cost less impairment losses as deemed appropriate.

Insurance receivables are derecognised when the derecognition criteria for financial assets, as described in Note 4 (iii), have been met.

ii) Reinsurance contract assets
The Group cedes insurance risk in the normal course of business as part of its businesses model. Reinsurance assets represent balances recoverable from reinsurance companies. Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision or settled claims associated with the reinsurers' policies and are in accordance with the related reinsurance contract.

Reinsurance assets are reviewed for impairment at each reporting date, or more frequently, when an indication of impairment arises during the reporting year. Impairment occurs when there is objective evidence as a result of an event that occurred after initial recognition of the reinsurance asset that the Group may not receive all outstanding amounts due under the terms of the contract and the event has a reliably measurable impact on the amounts that the Group will receive from the reinsurer. The impairment loss is recorded in the income statement.

iii) Reinsurance and other payables
Reinsurance and other payables are recognized when due and measured on initial recognition at the fair value of the consideration received less directly attributable transaction costs. Subsequently, reinsurance and other payables are measured at amortised cost, as deemed appropriate.

iv) Gross premiums
Gross premiums are recognized when written and include an estimate for written premiums receivable at period end. Gross premiums comprise the total premiums receivable for the whole period of cover provided by contracts entered into during the accounting period. Gross premiums also include any adjustments arising in the accounting period for premiums receivable in respect of business written in prior accounting periods. Premium on insurance contracts are recognized as revenue (earned premiums) proportionally over the period of coverage or using actuarial assumptions, as appropriate. The portion of premium received on in-force contracts that relates to unexpired risks at the reporting date is reported as unearned premium reserve.

v) Premiums ceded to reinsurers
Reinsurance premiums comprise the total premiums payable for the reinsurance cover provided by contracts entered into during the period and are recognized on the date on which the policy incepts. Reinsurance premiums also include any adjustments arising in the accounting period in respect of reinsurance contracts incepting in prior accounting periods. Unearned reinsurance premiums are those proportions of premiums written in a year that relate to periods of risk after the reporting date.

vi) Insurance contract liabilities
Insurance contract liabilities include the outstanding claims provision and the provision for unearned premium. Insurance contract liabilities are recognised when contracts are entered into and premiums are charged.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

b) Insurance operations (continued)

vi) Insurance contract liabilities (continued)

Provision for outstanding claims

Provision for outstanding claims is recognized at the date the claims are known and covers the liability for losses and loss adjustment expenses based on loss reports from independent loss adjusters and management's best estimate.

Claims provision also includes liability for claims incurred but not reported as at the reporting date. The liability is calculated at the reporting date using a range of historic trends, empirical data and standard actuarial claim projection techniques. The current assumptions may include a margin for adverse deviations. The liability is not discounted for the time value of money.

Unexpired risks reserve

The provision for unearned premiums represents that portion of premiums received or receivable, after deduction of the reinsurance share, which relates to risks that have not yet expired at the reporting date. The provision is recognised when contracts are entered into and premiums are charged, and is brought to account as premium income over the term of the contract in accordance with the pattern of insurance service provided under the contract.

Insurance contract liabilities are derecognised when the contract expires, discharged or cancelled by any party to the insurance contract.

At each reporting date, the Group reviews its unexpired risk and a liability adequacy test is performed in accordance with IFRS 4 to determine whether there is any overall excess of expected claims and deferred acquisition costs over unearned premiums. This calculation uses current estimates of future contractual cash flows after taking account of the investment return expected to arise on assets relating to the relevant non-life insurance technical provisions. If these estimates show that the carrying amount of the unearned premiums (less related deferred acquisition costs) is inadequate, the deficiency is recognised in the income statement by setting up a provision for premium deficiency.

vii) Gross claims paid

Gross claims paid include all claims paid during the year and the related external claims handling costs that are directly related to the processing and settlement of claims.

viii) Commission earned and paid

Commissions earned and paid are recognized at the time the policies are underwritten or deferred and amortised over the same period over which the corresponding premiums are recognised in accordance with the pattern of insurance service provided under the contract.

c) Investment activities

The Group classifies its investments into financial assets at fair value through profit or loss and available for sale financial assets. The classification depends on the purpose for which the investments were acquired or originated.

i) Non-derivative financial instruments

All investments are initially recognised at cost, being the fair value of the consideration given including acquisition charges associated with the investment.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

c) Investment activities (continued)

i) Non-derivative financial instruments (continued)

Financial assets at fair value through profit or loss (Held for trading)
Financial assets at fair value through profit or loss include financial assets held for trading and those designated upon initial recognition at fair value through profit or loss. Investments typically bought with the intention to sell in the near future are classified as held for trading. These investments are carried at fair value (marked to market) with any gain or loss arising from the change in fair value included in the profit or loss in the year in which it arises.

Available for sale – Quoted
Subsequent to initial recognition, investments which are classified "available for sale - quoted" are re-measured at fair value. The unrealised gains and losses on re-measurement to fair value are recognized in other comprehensive income and accumulated under the heading of fair value reserve until the investment is sold, collected or otherwise disposed of, or the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in the consolidated statement of income for the year.

Available for sale – Unquoted shares and private equity
The fair value of these investments cannot be reliably measured due to the nature of their cash flows, these investments are therefore carried at cost less any provision for impairment.

ii) Derivative financial instruments

Derivatives are initially recognized at cost, being fair value of the consideration given or received on the date of acquisition and are subsequently remeasured at their fair value.

The fair value of a derivative is the equivalent of the unrealised gain or loss from marking to market the derivative using prevailing market rates or internal pricing models.

The resultant gains and losses on derivatives held for trading purposes are included in the consolidated statement of income.

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recognised in profit or loss immediately, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

iii) Fair value reserve
This represents the unrealised gain or loss of the year-end fair valuation of available for sale investments. In the event of a sale or impairment, the cumulative gains or losses recognised under the investments fair value reserve are included in the consolidated statement of income for the year.

iv) Investment income

Interest income
Interest income is recognised in the income statement as it accrues and is calculated by using the effective interest rate method, except for short-term receivables when the effect of discounting is immaterial.

Dividend income
Dividend income is recognised when the right to receive the dividends is established or when received.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

c) Investment activities (continued)

v) Advisory fee income
Initial and other front-end fees received for rendering financial and other advisory services are deferred and recognised as revenue when the related services are rendered.

vi) Rental income
Rental income from investment properties is recognised in the consolidated statement of income on a straight line basis over the term of operating lease and the advances and unearned portion of the rental income is recognised as a liability.

d) General

i) Cash and cash equivalents
Cash and cash equivalents comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less in the consolidated statement of financial position. The cash equivalents are readily convertible to cash.

ii) Borrowings
Borrowings are recognised initially at fair value, net of transaction costs incurred and are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the consolidated statement of income over the period of the borrowings using the effective interest method.

iii) Investment properties
Investment properties are properties held to earn rentals and/or for capital appreciation. Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are carried at historical cost less accumulated depreciation and accumulated impairment losses.

Investment properties are derecognised when either they have been disposed-off or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in the consolidated statement of income in the year of retirement or disposal.

iv) Property and equipment
Property and equipment, including owner-occupied properties, are carried at historical cost less accumulated depreciation and accumulated impairment losses. Subsequent expenditure is capitalised only when it is probable that future economic benefits associated with the expenditure will flow to the Group.

Ongoing repairs and maintenance are charged to the consolidated statement of income during the financial period they are incurred.

The assets' residual values, useful lives and method of depreciation applied are reviewed and adjusted, if appropriate, at each financial year end and adjusted prospectively, if appropriate. Impairment reviews are performed when there are indicators that the carrying value may not be recoverable. Impairment losses are recognised in the consolidated statement of income as an expense.

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognised in the consolidated statement of income in the year the asset is derecognised.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

d) General (continued)

v) Depreciation

Depreciation is provided on a straight line basis on all property and equipment and investment properties, other than freehold land which is determined to have an indefinite life. The rates of depreciation are based upon the following estimated useful lives:

Buildings	-	15 to 30 years
Furniture & fixtures	-	2 to 5 years
Motor vehicles	-	3 years

Depreciation methods, useful lives and residual values are reviewed and adjusted if appropriate at each financial year end.

vi) Impairment of non-financial assets

An assessment is made at each reporting date to determine whether there is objective evidence that an asset or group of assets is impaired. If such evidence exists, the estimated recoverable amount of that asset is determined and an impairment loss is recognized for the difference between the recoverable amount and the carrying amount. Impairment losses are recognized in the consolidated statement of income.

vii) Provisions

The Group recognizes provisions in the consolidated financial statements when the Group has a legal or constructive obligation (as a result of a past event) that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. The provision is created by charging the consolidated statement of income for any obligations as per the calculated value of these obligations and the expectation of their realisation at the reporting date.

viii) Employees' end of service benefits

Provision is made for amounts payable in respect of employees' end of service benefits based on contractual obligations or respective local labour laws of the group entities, whichever is higher, and is calculated using the employee's salary and period of service at the reporting date.

ix) Contribution to social and sports fund

Pursuant to the Qatar Law No. 13 of 2008 and the related clarifications issued in 2012, which is applicable to all Qatari listed shareholding companies with publicly traded shares, the Group has made an appropriation of 2.5% of its adjusted net profit to a state social fund.

x) Share capital

The Group has issued ordinary shares that are classified as equity instruments. Incremental external costs that are directly attributable to the issue of these shares are recognised in equity.

xi) Dividend distribution

Dividend distribution to the Parent Company's shareholders is recognised as a liability in the Parent Company's consolidated financial statements in the period in which the dividends are approved by the Parent Company's shareholders.

xii) Earnings per share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Parent Company by the weighted number of ordinary shares outstanding during the year. Diluted EPS is calculated by adjusting the earnings and number of shares for the effects of all dilutive potential shares.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

d) General (continued)

xiii) Leases
The determination of whether an arrangement is a lease, or contains a lease, is based on the substance of the arrangement at the inception date and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset, even if that asset is not explicitly specified in an arrangement.

Group as a lessee
A lease is classified at the inception date as a finance lease or an operating lease. Leases that do not transfer substantially all of the risks and rewards of ownership of an asset to the Group are classified as operating leases. Operating lease payments are recognised as an expense in the statement of income on a straight line basis over the lease term.

xiv)Segment reporting
An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the management to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

5. CASH AND CASH EQUIVALENTS

	2016	2015
	(QR '000)	(QR '000)
Cash at banks	**1,051,817**	809,796
Short-term deposits	**5,910,493**	2,708,964
Total cash and short-term deposits	**6,962,310**	3,518,760

6. INSURANCE AND OTHER RECEIVABLES

	2016	2015 Restated
	(QR '000)	(QR '000)
Receivables from policyholders		
Due from policyholders	**1,406,505**	1,106,444
Impairment losses on doubtful receivables	**(35,091)**	(27,504)
	1,371,414	1,078,940
Receivables from Reinsurers		
Due from insurance companies	**2,808,121**	3,067,765
Impairment losses on doubtful receivables	**(15,494)**	(10,990)
	2,792,627	3,056,775
Other receivables		
Staff advances against indemnity	**42,291**	40,469
Deferred acquisition cost	**621,775**	749,150
Prepayments and others	**1,824,470**	1,556,126
	2,488,536	2,345,745
	6,652,577	6,481,460

7. INSURANCE CONTRACT LIABILITIES AND REINSURANCE CONTRACT ASSETS

	2016	2015 Restated*
	(QR '000)	(QR '000)
Gross insurance contract liabilities		
Claims reported and unsettled	**5,082,920**	3,838,858
Claims incurred but not reported	**3,621,709**	2,909,119
Unearned premiums	**4,878,654**	5,020,100
	13,583,283	11,768,077
Reinsurers' share of insurance contract liabilities		
Claims reported and unsettled	**1,129,879**	971,786
Claims incurred but not reported	**723,609**	334,935
Unearned premiums	**639,951**	821,684
	2,493,439	2,128,405
Net insurance contract liabilities		
Claims reported and unsettled	**3,953,041**	2,867,072
Claims incurred but not reported	**2,898,100**	2,574,184
Unearned premiums	**4,238,703**	4,198,416
	11,089,844	9,639,672

7. INSURANCE CONTRACT LIABILITIES AND REINSURANCE CONTRACT ASSETS (CONTINUED)

Movements in insurance contract liabilities and reinsurance contract assets are as follows:

	2016			2015 Restated*		
	Insurance contract liabilities	**Reinsurers' share**	**Net**	Insurance contract liabilities	Reinsurers' share	Net
	(QR '000)	**(QR '000)**	**(QR '000)**	(QR '000)	(QR '000)	(QR '000)
At January 1,	**6,747,977**	**1,306,721**	**5,441,256**	3,389,858	532,672	2,857,186
Claims incurred	**7,088,480**	**1,322,349**	**5,766,131**	5,325,727	1,451,211	3,874,516
Claims paid during the year	**(4,817,792)**	**(813,629)**	**(4,004,163)**	(2,973,946)	(708,667)	(2,265,279)
Effect of portfolio transfer and other movements	**(314,036)**	**38,047**	**(352,083)**	1,006,338	31,505	974,833
At December 31,	**8,704,629**	**1,853,488**	**6,851,141**	6,747,977	1,306,721	5,441,256

The above movements in insurance contract liabilities reflect certain portfolio transfer during the year.

Movements in provision for unearned premiums during the year are as follows:

	2016			2015 Restated*		
	Insurance contract liabilities	**Reinsurers' share**	**Net**	Insurance contract liabilities	Reinsurers' share	Net
	(QR '000)	**(QR '000)**	**(QR '000)**	(QR '000)	(QR '000)	(QR '000)
At January 1,	**5,020,100**	**821,684**	**4,198,416**	2,928,556	706,186	2,222,370
Premiums written in the year	**9,901,394**	**1,323,307**	**8,578,087**	8,347,210	1,189,778	7,157,432
Premiums earned during the year	**(9,870,999)**	**(1,511,112)**	**(8,359,887)**	(6,910,442)	(1,120,263)	(5,790,179)
Effect of portfolio transfer and other movements	**(171,841)**	**6,072**	**(177,913)**	654,776	45,983	608,793
At December 31,	**4,878,654**	**639,951**	**4,238,703**	5,020,100	821,684	4,198,416

The above movements in provision for unearned premium liabilities reflect certain portfolio transfer during the year.

* Certain amounts shown here do not correspond to the 2015 financial statements and reflect adjustments made, refer to Note 38.

8. EQUITY ACCOUNTED INVESTMENTS

	2016 (QR '000)	2015 (QR '000)
Al Daman Islamic Insurance Company	**82,358**	76,363
Asteco Qatar L.L.C.	--	1,246
Al Liwan Real Estate W.L.L.	**49,891**	--
Massoun Insurance Services L.L.C.	**6,592**	5,516
Al Manhal Properties	--	--
	138,841	83,125

Details of the equity accounted companies held during the year were as follows.

Name of associate	Place of incorporation and operation	Proportion of ownership and voting power held	Principal activities
Al Daman Islamic Insurance Company	State of Qatar	12.5% directly and 12.5% through QICI	Insurance and reinsurance
Asteco Qatar L.L.C. *(Note)*	State of Qatar	20% directly	Real estate brokerage and management
Massoun Insurance Services L.L.C.	State of Qatar	50% directly	Insurance marketing and distribution
Al Manhal Properties	State of Qatar	25.5 % directly	SPV for holding real estate properties for a fund
Al Liwan Real Estate W.L.L.	State of Qatar	38.46% directly	Real estate investment, brokerage and management

Note: Asteco Qatar L.L.C. was liquidated on 30 April 2016

8. EQUITY ACCOUNTED INVESTMENTS (CONTINUED)

Summarised financial information of the equity accounted companies are as follows:

	2016 (QR '000)	2015 (QR '000)
Current assets	400,970	818,042
Non-current assets	409,124	42,829
Current liability	105,723	550,456
Non-current liability	240,000	1,707
Results for the year	64,772	52,322

	2016 (QR '000)	2015 (QR '000)
Balance at January 1	83,125	77,065
Additions during the year	49,900	--
Dividends	(11,200)	(8,500)
Share of profit for the year	18,262	14,560
Liquidation	(1,246)	--
Balance at December 31	138,841	83,125

9. INVESTMENTS

The carrying amounts of investments at yearend were as follows:

	2016 (QR '000)	2015 Restated* (QR '000)
Held for trading investments		
Managed funds and shares	926,879	664,518
Bonds	1,942,882	2,298,741
Total held for trading investments	2,869,761	2,963,259
Available-for-sale investments		
Qatari public shareholding companies	1,468,750	1,893,992
Bonds	6,347,007	4,836,581
International quoted shares	213,553	425,869
Unquoted shares and private equity	535,994	473,922
Total available-for-sale investments	8,565,304	7,630,364
Total investments	11,435,065	10,593,623

* Certain 2015 comparative figures are restated, refer to Note 38.

10. INVESTMENT PROPERTIES

	2016 (QR '000)	2015 (QR '000)
Net carrying value as at January 1	**407,988**	375,070
Additions during the year	**268,886**	45,564
Effect of foreign currency exchange difference	**(36,622)**	--
Disposal during the year	**(50,163)**	--
Depreciation for the year	**(14,271)**	(12,646)
Net carrying value as at December 31	**575,818**	407,988

	2016 (QR '000)	2015 (QR '000)
Investment property		
At cost	**678,188**	510,576
Accumulated depreciation	**(102,370)**	(102,588)
Net carrying value as at December 31	**575,818**	407,988

Investment properties were estimated by management, by reference to market evidence of recent transactions for similar properties. The estimated fair value of the above investment properties as at December 31, 2016 were QR 1,354.46 million (2015: QR 1,135.80 million).

The rental income arising during the year amounted to QR 39,417 thousand (2015: QR 45,506 thousand) and the direct operating expenses (included within general and administrative expenses) arising in respect of such properties amounted to QR 5,562 thousand (2015: QR 6,464 thousand).

Property owned by the Group in United Kingdom with a carrying value of QR 208 million as at December 31, 2016 is pledged as security for the long term borrowings(see Note 15).

11. PROPERTY AND EQUIPMENT

	Freehold land (QR '000)	Building (QR '000)	Furniture & fixtures (QR '000)	Motor vehicles (QR '000)	Total (QR '000)
Cost:					
At January 1, 2015	9,709	40,352	84,880	13,255	148,196
Additions	--	--	16,526	1,603	18,129
Effect of foreign currency exchange difference	--	--	(542)	--	(542)
Disposals	--	--	(96)	(1,210)	(1,306)
At December 31, 2015	9,709	40,352	100,768	13,648	164,477
Additions	--	--	16,973	654	17,627
Effect of foreign currency exchange difference	--	--	(1,511)	--	(1,511)
Disposals	--	--	(244)	(1,733)	(1,977)
At December 31, 2016	**9,709**	**40,352**	**115,986**	**12,569**	**178,616**
Accumulated Depreciation:					
At January 1, 2015	--	39,748	60,527	9,256	109,531
Charge during the year	--	604	12,242	2,291	15,137
Effect of foreign currency exchange difference	--	--	(291)	--	(291)
Disposals	--	--	(96)	(1,210)	(1,306)
At December 31, 2015	--	40,352	72,382	10,337	123,071
Charge during the year	--	--	14,589	1,746	16,335
Effect of foreign currency exchange difference	--	--	436	--	436
Disposals	--	--	(109)	(1,417)	(1,526)
At December 31, 2016	--	40,352	87,298	10,666	138,316
Net book values:					
At December 31, 2016	**9,709**	--	**28,688**	**1,903**	**40,300**
At December 31, 2015	9,709	--	28,386	3,311	41,406

12. GOODWILL AND INTANGIBLE ASSETS

Movements in goodwill and intangible assets were as follows:

	Goodwill	Lloyd's syndicate capacity	Runoff services (WV)	Total
	QR '000	QR '000	QR '000	QR '000
	(i)	(ii)	(ii)	
On acquisition of Antares Holding Limited	145,111	266,222	10,119	421,452
Amortization expenses	--	--	(2,892)	(2,892)
At December 31, 2015	145,111	266,222	7,227	418,560
Acquisition of a subsidiary (see Note 37)	--	--	--	--
Amortization expenses	--	--	(1,446)	(1,446)
At December 31, 2016	**145,111**	**266,222**	**5,781**	**417,114**

Effective January 1, 2014, the Group acquired 100% of the share capital of Antares Holdings Limited and its subsidiary companies. The regulatory close of the transaction was completed on June 25, 2014.

(i) Goodwill

Goodwill, amounting to QR 145.11 million that arose on acquisition of Antares Holding Limited has been allocated to Antares Holding Limited UK cash generating unit (Antares CGU). The recoverable amount of this cash generating unit is determined on the basis of market value based approach. The method assumes Antares CGU to follow the pattern on market capitalization of similar Lloyd's Syndicates listed entities and their relevant book value.

(ii) Intangible assets

The following table summarizes the intangible assets recorded in connection with the acquisition:

	Amount (QR '000)	Economic useful Life
Lloyd's syndicate capacity	266,222	Indefinite
Runoff services - Württembergische Versicherung AG	10,119	7 years
Intangible assets as of the acquisition date	276,341	
Accumulated amortisation expenses	(4,338)	
Net Intangible assets as at December 31, 2016	272,003	

(a) Lloyd's Syndicate Capacity

The fair value of Lloyd's syndicate capacity and insurance licenses was estimated using the market approach. The Lloyd's capacity is renewed annually at no cost to the subsidiary or may be freely purchased or sold, subject to Lloyd's approval. The ability to write insurance business within the syndicate capacity is indefinite with the premium income limit being set annually by the Company, subject to Lloyd's approval. The recoverable amount was determined on the basis of regression analysis using average return on capital and certain observable data available in Lloyd's Syndicate.

12. GOODWILL AND INTANGIBLE ASSETS (CONTINUED)

(II) Intangible assets (continued)

(b) Runoff services - Württembergische Versicherung AG (WV)

The fair value of Württembergische Versicherung AG (WV) management agreement represents the estimated amount of the run-off administration services in respect of the former UK Branch of WV which is provided by Antares Underwriting Services Limited ("AUSL"). The fair value of the agreement has been capitalized and amortized on a straight-line basis, over the estimated useful life of 7 years. The recoverable amount of WV was determined on the basis value in use calculation which uses the financial budgets covering the residual period of the management agreement and a discount rate of 10.72% (2015: 11.16%).

Management believes that any reasonable possible changes in the key assumptions on which recoverable amount is based would not cause the aggregate carrying amount of goodwill to exceed the aggregate recoverable amount of the Antares CGU and intangible assets carrying value and year end.

During the year, the Group has acquired control in Synergy Frimley Limited, Jersey, United Kingdom through the intermediate parent company: Arneb Real Estate Limited, Jersey, United Kingdom. There is no goodwill or intangibles acquired on this transaction.

Using the key assumptions listed in Note 33, as at December 31, 2016, the Group assessed the recoverable amount of goodwill and determined that the recoverable amount is more than the carrying amount.

13. SHORT TERM BORROWINGS

	2016	2015 Restated
	(QR '000)	(QR '000)
Short term borrowings from banks	**364,000**	364,000
Short term borrowings against fixed income securities	**3,683,649**	3,084,486
Short term borrowings against managed funds	**17,662**	94,757
	4,065,311	3,543,243

The short term borrowings from banks carry an interest at an average rate of 2.0162% per annum.

14. PROVISIONS, REINSURANCE AND OTHER PAYABLES

	2016	2015 Restated
	(QR '000)	(QR '000)
Trade payables	776,551	574,212
Due to reinsurance companies	738,461	811,184
Other payables:		
Accruals & deferred income	225,755	679,665
Employees' end of service benefits (see Note 14.1)	80,280	76,532
Provision for board of directors remuneration	18,000	22,500
Other liabilities	632,404	203,841
	2,471,451	2,367,934

14.1 EMPLOYEES' END OF SERVICE BENEFITS

	2016	2015
	(QR '000)	(QR '000)
Provision at January 1	76,532	79,689
Expenses recognised during the year	7,703	8,761
Payment made during the year	(3,955)	(11,918)
Provision at December 31	80,280	76,532

15. LONG TERM BORROWINGS

Long term borrowings represent mortgage loans which bear fixed interest of 2.775% per annum, secured by an investment property (see Note10) and are repayable in 2021.

16. SHARE CAPITAL

The authorised, issued and fully paid share capital at December 31, 2016 consists of 241,138,659 equity shares of QR 10 each (December 31, 2015: 184,621,437 equity shares of QR. 10 each).

17. LEGAL RESERVE

Legal reserve is computed in accordance with the provisions of the Qatar Central Bank (QCB) regulations, applicable provisions of Qatar Commercial Companies' Law and the company's Articles of Association at 10% of the net profit for the year. On November 23, 2014, the Extra-Ordinary General Meeting approved the amendment of paragraph (1) Article (66) of the Articles of Association of the Company. This reserve is to be maintained until it equates 100% of the paid up capital and is not available for distribution except in circumstances specified in the Qatar Central Bank (QCB) regulations/Qatar Commercial Companies Law. The legal reserve also includes the Group's share in legal reserve arising out of the subsidiary companies.

18. GENERAL RESERVE

During the year no amount has been transferred to the general reserve.

19. FAIR VALUE RESERVE

The fair value reserve arose from the revaluation of available for sale investments as per the accounting policy detailed in Note 4.

20. CATASTROPHE SPECIAL RESERVE

The Group has appropriated further QR 52.18 million (2015: QR 50.09 million) from its retained earnings as a catastrophe special reserve in the consolidated statement of changes in equity. The formation of reserve was approved at the Board meeting held on January 25, 2011. This reserve will be utilised at the recommendation of the Board of Directors after approval at the Annual General Meeting when there is a catastrophe event.

21. FOREIGN CURRENCY TRANSLATION

The translation reserve comprises foreign exchange differences arising from the translation of the financial statements of foreign operations.

22. OPERATING SEGMENTS

a) Segment information

For management purposes, the Group is organised into six business segments- Marine & Aviation insurance, Property & Casualty insurance, Health & Life insurance, Real Estate, Advisory and Investments. These segments are the basis on which the Group reports its operating segment information. No operating segments have been aggregated in arriving at the reportable segment of the Group.

22. OPERATING SEGMENTS (CONTINUED)

Segment income statement for the year ended December 31, 2016

	Marine & Aviation	Property & Casualty	Health & Life	Total Insurance	Real Estate	Advisory	Investments	Un-allocated (expenses) / income	Total
	(QR '000)	(QR '000)	(QR '000)	(QR '000)	(QR '000)	(QR '000)	(QR'000)	(QR '000)	(QR '000)
Gross premiums	1,170,605	7,471,503	1,259,286	9,901,394	--	--	--	--	9,901,394
Premiums ceded to reinsurers	(302,622)	(977,700)	(42,985)	(1,323,307)	--	--	--	--	(1,323,307)
Net premiums	867,983	6,493,803	1,216,301	8,578,087	--	--	--	--	8,578,087
Movement in unexpired risk reserve	(73,606)	(113,944)	(30,650)	(218,200)	--	--	--	--	(218,200)
Net earned premiums	794,377	6,379,859	1,185,651	8,359,887	--	--	--	--	8,359,887
Gross claims paid	(451,348)	(3,235,910)	(1,130,534)	(4,817,792)	--	--	--	--	(4,817,792)
Reinsurance recoveries	97,031	414,137	298,461	813,629	--	--	--	--	813,629
Movement in outstanding claims	(162,093)	(1,421,025)	(181,737)	(1,764,855)	--	--	--	--	(1,764,855)
Net commission	(160,063)	(1,517,093)	(77,561)	(1,754,717)	--	--	--	--	(1,754,717)
Other insurance income (Unallocated)	--	--	--	7,531	--	--	--	--	7,531
Net underwriting result	117,904	623,968	94,280	843,683					843,683
Investment income and other income				--	--	--	860,684	--	860,684
Finance costs				--	--	--	(44,798)	--	(44,798)
Rental income				--	39,417	--	-	--	39,417
Advisory fee income					--	51,286	--	--	51,286
Total income				843,683	39,417	51,286	815,886	--	1,750,272
Operating and administrative expenses				--	(5,562)	(21,365)	--	(657,976)	(684,904)
Depreciation				--	(14,271)	(162)	--	(17,619)	(32,052)
Profit before share of results from equity accounted investments				843,683	19,584	29,758	815,886	(675,595)	1,033,316
Share of profit from equity accounted investments				--	--	--	--	18,262	18,262
Segment results				843,683	19,584	29,758	815,886	(657,333)	1,051,578

22. OPERATING SEGMENTS (CONTINUED)

a) Segment information (continued)

Segment income statement for the year ended December 31, 2015 (Restated*)

	Marine & Aviation (QR '000)	Property & Casualty (QR '000)	Health & Life (QR '000)	Total Insurance (QR '000)	Real Estate (QR '000)	Advisory (QR '000)	Investments (QR'000)	Un-allocated (expenses) / income (QR '000)	Total (QR '000)
Gross premiums	942,991	6,488,724	915,495	8,347,210	--	--	--	--	8,347,210
Premiums ceded to reinsurers	(215,143)	(942,893)	(31,742)	(1,189,778)	--	--	--	--	(1,189,778)
Net premiums	727,848	5,545,831	883,753	7,157,432	--	--	--	--	7,157,432
Movement in unexpired risk reserve	(20,840)	(1,238,503)	(110,916)	(1,370,259)	--	--	--	--	(1,370,259)
Net earned premiums	707,008	4,307,328	772,837	5,787,173	--	--	--	--	5,787,173
Gross claims paid	(531,091)	(1,676,586)	(766,267)	(2,973,946)	--	--	--	--	(2,973,946)
Reinsurance recoveries	108,626	297,774	212,267	708,667	--	--	--	--	708,667
Movement in outstanding claims	(108,344)	(1,440,688)	(57,198)	(1,606,230)	--	--	--	--	(1,606,230)
Net commission	(126,007)	(793,462)	(79,848)	(999,317)	--		--	--	(999,317)
Other insurance income (Unallocated)	--	--	--	9,396	--	--	--	--	9,396
Net underwriting result	140,192	694,364	81,791	925,743					925,743
Investment income and other income				--	--	--	742,908	-	742,908
Finance costs				--	--	--	(27,441)		(27,441)
Rental income				--	45,506	--	--	--	45,506
Advisory fee income				--	--	123,063	--	--	123,063
Total income				925,743	45,506	123,063	715,467	--	1,809,779
Operating and administrative expenses				--	(6,464)	(77,726)	--	(646,931)	(731,121)
Depreciation				--	(12,795)	(156)	--	(16,278)	(29,229)
Profit before share of results from equity accounted investments				925,743	26,247	45,181	715,467	(663,209)	1,049,479
Share of profit from equity accounted investments				--	--	--	--	14,560	14,560
Segment results				925,743	26,247	45,181	715,467	(648,649)	1,063,989

* Certain 2015 comparative figures are restated, refer to Note 38.

22. OPERATING SEGMENTS (CONTINUED)

Segment statement of financial position
Assets and liabilities of the Group are commonly used across the primary segments.

b) Geographic Information

The Group operates in two geographic markets; the domestic market in Qatar and the international markets. The following table shows the distribution of the Group's total assets and liabilities by geographical segment:

Insurance business segment income statement for the year

	Qatar	International	Total	Qatar Restated	International Restated	Total Restated
	2016	2016	2016	2015	2015	2015
	(QR '000)	(QR '000)	(QR '000)	(QR '000)	(QR '000)	(QR '000)
Gross premium	1,660,717	8,240,677	9,901,394	1,432,080	6,915,130	8,347,210
Reinsurers' share of gross premiums	(498,123)	(825,184)	(1,323,307)	(539,215)	(650,563)	(1,189,778)
Net premiums	1,162,594	7,415,493	8,578,087	892,865	6,264,567	7,157,432
Change in unexpired risk reserve	(62,892)	(155,308)	(218,200)	(75,642)	(1,294,617)	(1,370,259)
Net earned premiums	1,099,702	7,260,185	8,359,887	817,223	4,969,950	5,787,173
Gross claims paid	(1,127,503)	(3,690,289)	(4,817,792)	(762,750)	(2,211,196)	(2,973,946)
Reinsurance recoveries	388,261	425,368	813,629	263,693	444,974	708,667
Movement in outstanding claims	(131,048)	(1,633,807)	(1,764,855)	(43,594)	(1,562,636)	(1,606,230)
Net commission	(15,009)	(1,739,708)	(1,754,717)	(18,232)	(981,085)	(999,317)
Other insurance income	676	6,855	7,531	728	8,668	9,396
Net underwriting results	215,079	628,604	843,683	257,068	668,675	925,743

Segment assets, liabilities and equity as at yearend

	Assets		Liabilities & Equity	
	2016 (QR '000)	2015 Restated (QR '000)	2016 (QR '000)	2015 Restated (QR '000)
Qatar	11,321,588	7,819,541	9,117,279	9,585,674
International	17,393,876	15,853,786	19,598,185	14,087,653
	28,715,464	23,673,327	28,715,464	23,673,327

23. NET INVESTMENT INCOME

	2016 (QR '000)	2015 (QR '000)
Gain on sale of investments (i)	**108,968**	434,235
Interest income	**390,132**	288,469
Dividends	**102,906**	120,563
Gain on sale of investment properties	**190,674**	--
Unrealised gain/(loss) on investments	**20,682**	(73)
Others	**44,419**	41,234
Less: Impairment losses	**(1,521)**	(144,891)
	856,260	739,537
Finance costs	**(44,798)**	(27,441)
Net investment income	**811,462**	712,096

(i) The profit on sale of investments during the year 2015 includes QR 338,980 thousand (USD 93,126 thousand) which represents the gain on sale of the economic rights of CATCO Investment Management Limited ("CATCo").

24. OPERATING AND ADMINISTRATIVE EXPENSES

	2016 (QR '000)	2015 (QR '000)
Employee related costs	**432,661**	362,800
Other operating expenses	**234,243**	345,821
Board of director's remuneration	**18,000**	22,500
	684,904	731,121

25. BASIC AND DILUTED EARNINGS PER SHARE

The basic and diluted earnings per share are the same as there are no dilutive effects on earnings.

	2016 (QR '000)	2015 (QR '000)
Profit attributable to owners of the parent	**1,034,018**	1,043,636
Weighted average number of ordinary shares	**230,908**	215,563
Basic and diluted earnings per share (QR) (2015: Restated)	**4.48**	4.84

The Group has restated the calculations of the comparative earnings per share as a result of the effect of bonus shares of 10% (i.e. 1 for every 10 shares) issued and bonus element of rights shares issued during the year. The bonus and rights share issues were approved in the Annual General Meeting held on February 21, 2016.

26. DIVIDEND, BONUS SHARES AND RIGHTS SHARES

	2016	2015
Final cash dividend (QAR '000)	361,708	461,553
Average number of ordinary shares (in thousand)	241,138	184,521
Cash dividend per share (QR)	**1.5**	2.5

The Board of Directors proposed a final cash dividend of QR 1.50 per share (2015: QR 2.50 per share) and bonus share of 15%, i.e., 3 shares for every 20 shares (2015: 1 share for every 10 shares). The proposed cash dividend amounting to QR 361,708 thousand (2015: 461,553 thousand) will be placed for approval at the Annual General Meeting.

Subsequent to the Annual General Meeting held on February 21, 2016, the Board of Directors of the Company called for a rights issue of 40,616,716 shares at QR 50 per share in the ratio of 1 share for every five shares held as at March 1, 2016 after the bonus issue. Rights were traded through Qatar Exchange during the period from March 20, 2016 to March 30, 2016. The subscription period started from April 10, 2016 to May 1, 2016 and the allotment and listing procedures were completed on 25 May 2016. Number of subscribed shares was 38,055,079 shares. The share premium arising out of the rights issue, net of expenses, amounting to QR 1,521,431 thousand is included in the legal reserve as required by the Article 154 of Qatar Commercial Companies Law No. 11 of 2015.

27. CONTINGENT LIABILITIES AND COMMITMENTS

	2016 (QR '000)	2015 (QR '000)
Bank guarantees	2,165,700	1,467,507
Authorized future investment commitments	123,656	71,538
	2,289,356	1,539,045

Operating leases

Future minimum lease rentals payables under non-cancellable operating leases as at the year-end are as follows:

	2016 (QR '000)	2015 (QR '000)
Within one year	13,734	6,372
After one year but not more than five years	48,391	24,957
More than 5 years	5,038	--
	67,163	31,329

28. DETERMINATION OF FAIR VALUE AND FAIR VALUES HIERARCHY OF INVESTMENTS

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy. The different levels have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices)
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs)

	Level 1	**Level 2**	**Level 3**	**Total**
	(QR '000)	**(QR '000)**	**(QR '000)**	**(QR '000)**
December 31, 2016				
Held for trading	**1,942,882**	**926,879**	**--**	**2,869,761**
Available for sale	**8,029,310**	**--**	**535,994**	**8,565,304**
	9,972,192	**926,879**	**535,994**	**11,435,065**

	Level 1	Level 2	Level 3	Total
	(QR '000)	(QR '000)	(QR '000)	(QR '000)
December 31, 2015				
Held for trading	2,298,741	664,518	--	2,963,259
Available for sale	7,156,442	--	473,922	7,630,364
	9,455,183	664,518	473,922	10,593,623

29. RELATED PARTIES

Note 1 provides information about the Group's structure, including details of the subsidiaries and the holding company. The following tables provide the total amount of transactions that have been entered into with related parties for the relevant financial year.

a) Transactions with related parties

These represent transactions with related parties, i.e. Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions and also, directors of the Group and companies of which they are key management personnel. Pricing policies and terms of these transactions are approved by the Group's management and are negotiated under normal commercial terms. Significant transactions were:

29. RELATED PARTIES (CONTINUED)

	2016 (QR '000)	2015 (QR '000)
Premiums	**23,598**	26,469
Claims	**22,634**	13,712
Purchase of services	**40**	36
Other income	**190,674**	--

	2016 (QR '000)	2015 (QR '000)
b) Due from related parties	**1,692**	4,442
c) Due to related parties	**19,941**	6,018
d) Compensation of key management personnel		
Salaries and other short term benefits	**53,443**	49,649
End of service benefits	**1,490**	1,345

Outstanding related party balances as at the reporting date are unsecured and interest free, and no bad debt expense against these related party balances has been incurred by the Group during the year (2015: Nil).

30. NON-CONTROLLING INTERESTS

Represents the non-controlling interest in QIC Capital LLC amounting to 4.26% of the share capital, 30% in Oman Qatar Insurance Company, 17.96% in Kuwait Qatar Insurance Company and 15% in Q Life & Medical Insurance Company LLC.

31. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Group in the normal course of its business derives its revenue mainly from assuming and managing insurance and investments. Through a robust governance structure, risks and returns are evaluated to produce sustainable revenues to reduce earnings volatility and increase shareholders' return. The Group's lines of business are mainly exposed to the following risks;

- Insurance risk,
- Credit risk,
- Liquidity risk,
- Market risk, and
- Operational risks

a) Governance framework

The primary objective of the Group's risk and financial management framework is to protect the Group's shareholders from events that hinder the sustainable achievement of the set financial performance objectives. Key management recognises the critical importance of having efficient and effective risk management systems in place.

31. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

a) Governance framework (continued)
The Group has established a risk management function with clear terms of reference from the board of directors, its committees and the associated executive management committees. This is supplemented with an organisational structure with documented delegated authorities and responsibilities from the board of directors to executive management committees and senior managers. A group risk management policy framework which sets out the risk profiles for the Group, risk management, control and business conduct standards for the Group's operations has been put in place.

b) Capital management framework
The Group has an internal risk management framework for identifying risks to which each of its business units and the Group as a whole is exposed, quantifying their impact on economic capital. The internal framework indicates how much capital is needed to mitigate the risk of insolvency to a selected remote level of risk applied to a number of tests (both financial and non-financial) on the capital position of the business.

c) Regulatory framework
Regulators are primarily interested in protecting the rights of the policyholders and monitor them closely to ensure that the Group is satisfactorily managing affairs for their benefit. At the same time, the regulators are also interested in ensuring that the Group maintains an appropriate solvency position to meet unforeseen liabilities arising from economic shocks or natural disasters.

The operations of the Group are also subject to regulatory requirements within the jurisdictions where it operates. Such regulations not only prescribe approval and monitoring of activities, but also impose certain restrictive provisions (e.g. capital adequacy) to minimise the risk of default and insolvency on the part of the insurance companies, in case of unforeseen liabilities as these arise.

d) Asset liability management (ALM) framework
Financial risks arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements. The main risk that the Group faces due to the nature of its investments and liabilities is interest rate risk. The Group manages these positions within an ALM framework that has been developed to achieve long-term investment returns in excess of its obligations under insurance and investment contracts.

The Group's ALM is also integrated with the management of the financial risks associated with the Group's other financial assets and liabilities not directly associated with insurance and investment liabilities.

The Group's ALM also forms an integral part of the insurance risk management policy, to ensure in each period sufficient cash flow is available to meet liabilities arising from insurance and investment contracts.

e) Insurance risk
The principal risk the Group faces under insurance contracts is that the actual claims and benefit payments or the timing thereof, differ from expectations. This is influenced by the frequency of claims, severity of claims, actual compensation paid and subsequent development of long-term claims. Therefore the objective of the Group is to ensure that sufficient reserves are available to cover these liabilities.

The Group manages the insurance risk through the careful selection and implementation of its underwriting strategy and guidelines together with the adequate reinsurance arrangements and proactive claims handling.

31. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

c) Insurance risk (continued)

The Group principally issues general insurance contracts which constitutes mainly marine & aviation, property & casualty and health & life.

The concentration of insurance risk exposure is mitigated by careful selection and implementation of the underwriting strategy of the Group, which attempts to ensure that the risks underwritten are well diversified across a large portfolio in terms of type, level of insured benefits, amount of risk, industry and geography. Underwriting limits are in place to enforce risk selection criteria.

The Group, in the normal course of business, in order to minimise financial exposure arising from large claims, enters into contracts with other parties for reinsurance purposes. Such reinsurance arrangements provide for greater diversification of business, allow management to control exposure to potential losses arising from large risks, and provide additional capacity for growth. A significant portion of the reinsurance is affected under treaty, facultative and excess-of-loss reinsurance contracts. Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision and are in accordance with the reinsurance contracts.

Although the Group has reinsurance arrangements, it is not relieved of its direct obligations to its policyholders and thus a credit exposure exists with respect to ceded insurance, to the extent that any reinsurer is unable to meet its obligations assumed under such reinsurance agreements. The Group's placement of reinsurance is diversified such that it is neither dependent on a single reinsurer nor are the operations of the Group substantially dependent upon any single reinsurance contract.

The Group has in place strict claim review policies to assess all new and ongoing claims, regular detailed review of claims handling procedures and frequent investigation of possible fraudulent claims to reduce the risk exposure of the Group. The Group further enforces a policy of actively managing and prompt pursuing of claims, in order to reduce its exposure to unpredictable future developments that can negatively impact the Group.

Key assumptions

The principal assumption underlying the liability estimates is that the Group's future claims development will follow a similar pattern to past claims development experience. This includes assumptions in respect of average claim costs, claim handling costs, claim inflation factors and claim numbers for each accident year. Additional qualitative judgments are used to assess the extent to which past trends may not apply in the future, for example one-off occurrence, changes in market factors such as public attitude to claiming, economic conditions, as well as internal factors such as portfolio mix, policy conditions and claims handling procedures. Judgment is further used to assess the extent to which external factors such as judicial decisions and government legislation affect the estimates.

Other key circumstances affecting the reliability of assumptions include variation in interest rates, delays in settlement and changes in foreign currency rates.

31. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

e) Insurance risk (continued)

Sensitivities

The general insurance claims provisions are sensitive to the key assumptions mentioned above. It has not been possible to quantify the sensitivity of certain assumptions such as legislative changes or uncertainty in the estimation process.

The analysis below is performed for possible movements in key assumptions with all other assumptions held constant, showing the impact on gross and net liabilities, net profit and equity.

	Change in assumptions	Impact on liabilities	Impact on net profit	Impact on equity
		(QR '000)	(QR '000)	(QR '000)
December 31, 2016				
Incurred claim cost	+10%	576,902	(576,902)	--
Incurred claim cost	-10%	(576,902)	576,902	--
December 31, 2015				
Incurred claim cost	+10%	387,151	(387,151)	--
Incurred claim cost	-10%	(387,151)	387,151	--

Claims Development Table

The Group maintains strong reserves in respect of its insurance business in order to protect against adverse future claims experience and developments. The following tables show the estimates of cumulative incurred claims, including both claims notified and IBNR for each successive accident year at each reporting date, together with cumulative payments to date. The top half of each table below illustrates how the Group's estimate of total claims outstanding for each accident year has changed at successive year-ends. The bottom half of the table reconciles the cumulative claims to the amount appearing in the Consolidated Statement of Financial Position.

Claims Development Table (continued)

With the exception of the proportional and non-proportional reinsurance business, an accident-year basis is considered to be most appropriate for the business written by the Group. Given the nature of reinsurance claims and the difficulties in identifying an accident year for each reported claim, these claims are reported separately and aggregated by reporting year (reporting year basis) – that is, with reference to the year in which the Group was notified of the claims. This presentation is different from the basis used for the claims development tables for the other insurance claims and entities of the Group, where the reference is to the actual date of the event that caused the claim (accident-year basis).

31. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

c) Insurance risk (continued)

Claims Development Table

Accident year	2011	2012	2013	2014	2015	2016	Total
At end of accident year	1,528,828	1,321,630	1,856,416	2,344,870	4,632,474	5,522,794	11,684,218
One year later	1,613,829	1,279,764	1,770,884	2,231,312	4,514,694		
Two years later	1,550,628	1,330,732	1,782,539	2,244,121			
Three years later	1,581,236	1,349,170	1,764,349				
Four years later	1,601,924	1,395,907					
Five years later	1,571,683						
Current estimate of cumulative claims incurred	**1,571,683**	**1,395,907**	**1,764,349**	**2,244,121**	**4,514,694**	**5,522,794**	**17,013,548**
Cumulative payments to date	(1,471,048)	(1,196,728)	(1,424,743)	(1,582,797)	(2,529,339)	(2,117,513)	(10,322,168)
Net outstanding claims provision	**100,635**	**199,179**	**339,606**	**661,324**	**1,985,355**	**3,405,281**	**6,691,380**
Reserve in respect of prior years (Before 2011)	--	--	--	--	--		159,761
Total net outstanding claims provision	**--**	**--**	**--**	**--**	**--**		**6,851,141**
Current estimate of surplus/(deficiency)	(42,855)	(74,277)	92,067	100,749	117,780		
% Surplus/ (deficiency) of initial gross reserve	-3%	-5%	5%	4%	3%		

31. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

f) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss to the other party by failing to discharge an obligation. The following policies and procedures are in place to mitigate the Group's exposure to credit risk.

A credit risk policy setting out the assessment and determination of what constitutes credit risk for the Group has been established and the following policies and procedures are in place to mitigate the Group's exposure to credit risk:

- Compliance with the receivable management policy is monitored and exposures and breaches are regularly reviewed for pertinence and for changes in the risk environment.

- For all classes of financial assets held by the Group, other than those relating to reinsurance contracts, the maximum credit risk exposure to the Group is the carrying value as disclosed in the consolidated financial statements at the reporting date.

- Reinsurance is placed with reinsurers approved by the management. To minimise its exposure to significant losses from reinsurer insolvencies, the Group evaluates the financial condition of its reinsurers and monitors concentrations of credit risk arising from similar geographic regions, activities or economic characteristics of the reinsurers.

At each reporting date, management performs an assessment of creditworthiness of reinsurers and updates the reinsurance purchase strategy, ascertaining suitable allowance for impairment.

Credit exposure is limited to the carrying values of the financial assets as at the reporting date.

Credit exposure by credit rating

The table below provides information regarding the credit risk exposure of the Group by classifying assets according to the Group's credit ratings of counterparties.

December 31, 2016	Neither past due nor impaired	Past due but not impaired	Past due and impaired	Total
	(QR '000)	(QR '000)	(QR '000)	(QR '000)
Non-derivative financial assets				
Held for trading investments				
-Debt securities	1,942,882	--	--	1,942,882
Available-for-sale investments				
-Debt securities	6,347,007	--	--	6,347,007
Insurance receivables	3,807,116	356,925	50,585	4,214,626
Reinsurance contract assets	1,853,488	--	--	1,853,488
Cash and cash equivalents	6,962,310	--	--	6,962,310
	20,912,803	356,925	50,585	21,320,313

31. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

f) Credit risk (continued)

December 31, 2015 (Restated*)	Neither past due nor impaired	Past due but not impaired	Past due and impaired	Total
	(QR '000)	(QR '000)	(QR '000)	(QR'000)
Non- derivative financial assets				
Held for trading investments				
-Debt securities	2,298,741	--	--	2,298,741
Available-for-sale financial assets				
-Debt securities	4,836,581	--	--	4,836,581
Insurance receivables	4,045,567	90,148	38,494	4,174,209
Reinsurance contract assets	1,306,721	--	--	1,306,721
Cash and cash equivalents	3,518,760	--	--	3,518,760
	16,006,370	**90,148**	**38,494**	16,135,012

* Certain 2015 comparative figures are restated, refer to Note 38.

Age analysis of financial assets

December 31, 2016

	<30 days	31 to 60 days	61 to 90 days	91 to 120 days	Above 121days	Total
	(QR '000)	(QR '000)	(QR '000)	(QR'000)	(QR '000)	(QR'000)
Cash and cash equivalents	**2,954,823**	**2,332,457**	**1,590,389**	**34,969**	**49,672**	**6,962,310**
Insurance and other receivables	**2,131,428**	**342,450**	**921,034**	**454,495**	**407,510**	**4,256,917**
	5,086,251	**2,674,907**	**2,511,423**	**489,464**	**457,182**	**11,219,227**

December 31, 2015

	<30 days	31 to 60 days	61 to 90 days	91 to 120 days	Above 121days	Total
	(QR 000)	(QR '000)	(QR '000)	(QR'000)	(QR '000)	(QR'000)
Cash and cash equivalents	1,370,520	952,954	839,738	128,084	227,464	3,518,760
Insurance and other receivables	1,801,424	1,243,912	893,086	147,614	128,642	4,214,678
	3,171,944	2,196,866	1,732,824	275,698	356,106	7,733,438

31. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

f) Credit risk (continued)

Impaired financial assets

At December 31, 2016, there are impaired reinsurance assets of QR 15,494 thousand (2015: QR 10,989 thousand), impaired insurance and other receivables of QR 35,091 thousand (2015: QR 27,504 thousand).

The Group records all impairment allowances in separate impairment allowances accounts. The movement in the allowances for impairment losses for the year are as follows:

	Impairment on insurance and reinsurance receivables	
	2016	2015
	(QR '000)	(QR '000)
At January 1,	**38,494**	30,991
Charged during the year	**12,091**	7,503
Total	**50,585**	38,494

g) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities.

Liquidity requirements are monitored regularly on a daily/weekly/monthly basis and management ensures that sufficient funds are available to meet any commitments as they arise.

Maturity profiles

The table below summarises the maturity profile of the financial assets and financial liabilities of the Group based on remaining undiscounted contractual obligations, including interest payable and receivable. For insurance contracts liabilities and reinsurance assets, maturity profiles are determined based on estimated timing of net cash outflows from the recognised insurance liabilities. Unearned premiums and the reinsurers' share of unearned premiums have been excluded from the analysis as they are not contractual obligations.

December 31, 2016

	Up to a year	1-5 years	Over 5 years	Total
	(QR '000)	(QR '000)	(QR '000)	(QR'000)
Financial assets				
Non-derivative financial assets				
Held for trading investments	2,869,761	--	--	2,869,761
Available-for-sale financial assets				
Equity securities	2,218,297	--	--	2,218,297
Debt securities	385,762	2,709,969	3,251,276	6,347,007
Insurance receivables, net	4,164,041	--	--	4,164,041
Reinsurance contract assets	1,129,879	--	--	1,129,879
Cash and cash equivalents	6,962,310	--	--	6,962,310
	17,730,050	2,709,969	3,251,276	23,691,295

31. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

g) Liquidity risk (continued)

	Up to a year	1-5 years	Over 5 years	Total
	(QR '000)	(QR '000)	(QR '000)	(QR 000)
Financial liabilities				
Non-derivative financial liabilities				
Trade and other payables	**856,831**	--	--	**856,831**
Insurance contract liabilities	**5,082,920**	--	--	**5,082,920**
Insurance payables	**738,461**	--	--	**738,461**
Short term borrowings	**4,065,311**	--	--	**4,065,311**
Long term borrowings	--	**127,196**	--	**127,196**
	10,743,523	**127,196**	--	**10,870,719**

December 31, 2015 (restated*)

	Up to a year	1-5 years	Over 5 years	Total
	(QR '000)	(QR '000)	(QR '000)	(QR 000)
Financial assets				
Non-derivative financial assets				
Held for trading Investments	2,963,259	--	--	2,963,259
Available-for-sale financial assets				
-Equity securities	2,793,783	--	--	2,793,783
-Debt securities	349,410	2,545,697	1,941,474	4,836,581
Insurance receivables, net	4,135,715	--	--	4,135,715
Reinsurance contract assets	971,786	--	--	971,786
Cash and cash equivalents	3,518,760	--	--	3,518,760
	14,732,713	2,545,697	1,941,474	19,219,884

	Up to a year	1-5 years	Over 5 years	Total
	(QR '000)	(QR '000)	(QR '000)	(QR 000)
Financial liabilities				
Non-derivative financial liabilities				
Trade and other payables	650,744	--	--	650,744
Insurance contract liabilities	3,838,858	--	--	3,838,858
Insurance payables	811,184	--	--	811,184
Short term borrowings	3,543,243	--	--	3,543,243
	8,844,029	--	--	8,844,029

* Certain 2015 comparative figures are restated, refer to Note 38.

31. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

b) Market risk

Market risk is the risk that the fair value of or income from a financial instrument will fluctuate as a result of changes in market prices (such as exchange rates, interest rates and equity prices) , whether those changes are caused by factors specific to the individual security, or its issuer, or factors affecting all securities traded in the market. The Group limits market risk by maintaining a diversified portfolio and by continuous monitoring of developments in international and local equity and bond markets. In addition, the Group actively monitors the key factors that affect stock and bond market movements, including analysis of the operational and financial performance of investees.

i) Currency risk

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Group uses various off balance sheet financial instruments, including forward foreign exchange contracts and option, to manage certain foreign currency investment exposures and for trading.

The table below summarises the Group's exposure to foreign currency exchange rate risk at the reporting date by categorising assets and liabilities and major currencies.

December 31, 2016

	USD (QR '000)	EURO (QR '000)	GBP (QR '000)	Others (QR '000)	Total (QR '000)
Cash and cash equivalents	412,610	227,819	195,713	6,126,168	6,962,310
Insurance and other receivables	1,762,507	318,889	2,891,592	1,679,589	6,652,577
Investments	8,176,850	228,252	753,086	2,276,877	11,435,065
TOTAL ASSETS	10,351,967	774,960	3,840,391	10,082,634	25,049,952
Short term borrowings	4,065,311	--	--	--	4,065,311
Long term borrowings	--	--	127,196	--	127,196
Provisions, reinsurance and other payables	667,766	90,483	583,700	1,129,502	2,471,451
TOTAL LIABILITIES	4,733,077	90,483	710,896	1,129,502	6,663,958

December 31, 2015 (Restated*)

	USD (QR '000)	EURO (QR '000)	GBP (QR '000)	Others (QR '000)	Total (QR '000)
Cash and cash equivalents	492,341	29,887	205,392	2,791,140	3,518,760
Insurance and other receivables	1,712,782	112,144	584,403	4,072,131	6,481,460
Investments	6,704,845	112,806	1,176,874	2,599,098	10,593,623
TOTAL ASSETS	8,909,968	254,837	1,966,669	9,462,369	20,593,843
Short term borrowings	3,543,243	--	--	--	3,543,243
Provisions, reinsurance and other payables	1,013,072	47,078	438,456	869,328	2,367,934
TOTAL LIABILITIES	4,556,315	47,078	438,456	869,328	5,911,177

* Certain 2015 comparative figures are restated, refer to Note 38.

31. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

h) Market risk (continued)

i) Currency risk (continued)

The Group has no significant concentration of currency risk.

The analysis below is performed for reasonably possible movements in key variables with all other variables held constant, showing the impact on the consolidated statements of income and changes in equity due to changes in the fair value of currency sensitive monetary assets and liabilities including insurance contract liabilities.

		December 31, 2016		December 31, 2015	
	Changes in variables	Impact on profit or loss	Impact on equity	Impact on profit or loss	Impact on equity
		(QR '000)	(QR '000)	(QR '000)	(QR '000)
Currency					
Euro	+10%	27,246	--	3,540	8
GBP	+10%	36,122	--	20,128	--
Total		63,368	--	23,668	8
Euro	-10%	(36,294)	--	(3,540)	(8)
GBP	-10%	(94,492)	--	(20,128)	--
Total		(130,786)	--	(23,668)	(8)

The method used for deriving sensitivity information and significant variables did not change from the previous period.

ii) Interest rate risk

Interest rate risk is the risk that the value of future cash flows from a financial instrument will fluctuate because of changes in market interest rates.

The Group invests in securities and has deposits that are subject to interest rate risk. Interest rate risk to the Group is the risk of changes in market interest rates reducing the overall return on its interest bearing securities.

The Group's interest risk policy requires managing interest rate risk by maintaining an appropriate mix of fixed and variable rate instruments. The policy also requires it to manage the maturities of interest bearing financial assets and interest bearing financial liabilities.

The Group limits interest rate risk by monitoring changes in interest rates in the currencies in which its cash and investments are denominated and has no significant concentration of interest rate risk.

31. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

h) Market risk (continued)

ii) Interest rate risk (continued)

The analysis below is performed for reasonably possible movements in key variables with all other variables held constant, showing the impact on profit or loss and equity.

Currency	Changes in variables	December 31, 2016 Impact on profit or loss (QR '000)	December 31, 2016 Impact on equity (QR '000)	December 31, 2015 Impact on profit or loss (QR '000)	December 31, 2015 Impact on equity (QR '000)
Qatari Riyals	+50 basis points	(23,317)	(106,313)	(34,510)	(67,712)
Qatari Riyals	-50 basis points	23,317	106,313	34,510	67,712

The Group's interest rate risk based on contractual arrangements is as follows:

December 31, 2016

	Up to 1 year (QR '000)	1 to 5 years (QR '000)	Over 5 years (QR '000)	Total (QR '000)	Effective interest rate (%)
Cash and Cash equivalents	6,962,310	--	--	6,962,310	2.19%
Investments	2,328,644	2,709,969	3,251,276	8,289,889	3.63%
	9,290,954	2,709,969	3,251,276	15,252,199	

December 31, 2015

	Up to 1 year (QR '000)	1 to 5 years (QR '000)	Over 5 years (QR '000)	Total (QR '000)	Effective interest rate (%)
Cash and Cash equivalents	3,518,760	--	--	3,518,760	1.34%
Investments (Restated*)	2,070,869	2,545,697	2,518,756	7,135,322	4.41%
	5,589,629	2,545,697	2,518,756	10,654,082	

* Certain 2015 comparative figures are restated, refer to Note 38.

31. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

h) Market risk (continued)

iii) Price risk

Price risk is the risk that the fair value of or income from a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The Group's equity price risk exposure relates to financial assets and financial liabilities whose values will fluctuate as a result of changes in market prices, principally investment securities not held for the account of unit-linked business. The Group's price risk policy requires it to manage such risks by setting and monitoring objectives and constraints on investments, diversification plans, limits on investments in each country, sector and market and careful and planned use of derivative financial instruments. The Group has no significant concentration of price risk.

The analysis below is performed for reasonably possible movements in key variables with all other variables held constant, showing the impact on profit or loss and equity.

		December 31, 2016		December 31, 2015	
	Changes in variables	Impact on profit or loss	Impact on equity	Impact on profit or loss	Impact on equity
		(QR '000)	(QR '000)	(QR '000)	(QR '000)
Qatar Market	+10%	--	146,875	--	189,399
International Markets	+10%	92,127	21,355	66,452	42,587
Qatar Market	-10%	--	(146,875)	--	(189,399)
International Markets	-10%	(92,127)	(21,355)	(66,452)	(42,587)

The method used for deriving sensitivity information and significant variables did not change from the previous period.

i) Operational risks

Operational risk is the risk of loss arising from system failure, human error, fraud or external events. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications or can lead to financial loss. The Group cannot expect to eliminate all operational risks, but by initiating a rigorous control framework and by monitoring and responding to potential risks, the Group is able to manage the risks. The Group has detailed systems and procedures manuals with effective segregation of duties, access controls, authorisation and reconciliation procedures, staff training and assessment processes etc. with an effective compliance and internal audit framework. Business risks such as changes in environment, technology and the industry are monitored through the Group's strategic planning and budgeting process.

31. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

j) Capital management

Externally imposed capital requirements are set and regulated by the Qatar Commercial Companies' Law and Qatar Central Bank regulations to ensure sufficient solvency margins. Further objectives are set by the Group to maintain a strong credit rating and healthy capital ratios in order to support its business objectives and maximise shareholders value.

The Group manages its capital requirements by assessing shortfalls between reported and required capital levels on a regular basis. The Group fully complied with the externally imposed capital requirements during the reported financial year and no changes were made to its capital base, objectives, policies and processes from the previous year.

k) Classification and fair values

The following table compares the fair values of the financial instruments to their carrying values:

	December 31, 2016		December 31, 2015 (Restated)	
	Carrying amount	**Fair value**	Carrying amount	Fair value
	(QR '000)	**(QR '000)**	(QR '000)	(QR '000)
Cash and cash equivalents	**6,962,310**	**6,962,310**	3,518,760	3,518,760
Insurance receivables	**4,164,041**	**4,164,041**	4,135,715	4,135,715
Reinsurance contract assets	**1,129,879**	**1,129,879**	971,786	971,786
Investments held for trading	**2,869,761**	**2,869,761**	2,963,259	2,963,259
Available -for-sale Investments	**8,565,304**	**8,565,304**	7,630,364	7,630,364
	23,691,295	**23,691,295**	**19,219,884**	**19,219,884**
Short term borrowings	**4,065,311**	**4,065,311**	3,543,243	3,543,243
Insurance and other payables	**2,471,451**	**2,471,451**	2,367,934	2,367,934
Insurance contract liabilities	**5,082,920**	**5,082,920**	3,838,858	3,838,858
Long term borrowings	**127,196**	**127,196**	--	--
	11,746,878	**11,746,878**	9,750,035	9,750,035

* Certain 2015 comparative figures are restated, refer to Note 38.

32. DERIVATIVE FINANCIAL INSTRUMENTS

In the ordinary course of business, the Group enters into various types of transactions that involve derivative financial instruments. A derivative financial instrument is a financial contract between two parties where payments are dependent upon movements in price in one or more underlying financial instrument, reference rate or index. Derivative financial instruments include forward contracts, swaps and equity options structures.

The table below shows the notional amounts analysed by the term to maturity. The notional amount is the amount of a derivative's underlying asset, reference rate or index and is the basis upon which changes in the value of derivatives are measured. The notional amounts indicate the volume of transactions outstanding at yearend and are neither indicative of the market risk nor credit risk.

December 31, 2016	Notional amount (QR '000)	Fair value (QR '000)	Within 3 months (QR '000)	3 to 12 months (QR '000)
Over the Counter Derivatives:				
FX Forwards	666,386	(1,517)	447,986	218,400
FX Options	479,991	(15,396)	--	479,991
Interest Rate Swaps	182,000	(977)	--	182,000
Credit Default Swap	1,092,000	6,357	--	1,092,000
Equity and Index Swaps	221,788	(1,500)	221,788	--
Equity Options	378,560	(6,860)	21,840	356,720

Various option strategies are employed for hedging, risk management and income enhancement. All calls sold are on assets held by the Group.

33. CRITICAL JUDGEMENTS IN APPLYING THE GROUP'S ACCOUNTING POLICIES

In the process of preparing these consolidated financial statements, Management has made use of a number of judgments relating to the application of accounting policies which are described in Note 3 (d). Those which have the most significant effect on the reported amounts of assets, liabilities, income and expense are listed below (apart from those involving estimations which are dealt within Note 34).

These judgments are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Management believes that the following discussion addresses the accounting policies that require judgments.

Classification of investments

Quoted securities are classified either held for trading or as available for sale. The Group invests substantially in quoted securities either locally or overseas and management has primarily decided to account for them for their potential long term growth rather than the short term profit basis. Consequently, such investments are recognized as available for sale rather than at fair value through profit or loss.

Financial assets are classified as fair value through profit or loss where the assets are either held for trading or designated as at fair value through profit or loss. The Group invests in mutual and managed funds for trading purpose.

33. CRITICAL JUDGEMENTS IN APPLYING THE GROUP'S ACCOUNTING POLICIES (CONTINUED)

Impairment of financial assets
The Group determines whether available for sale equity financial assets are impaired when there has been a significant or prolonged decline in their fair value below cost. This determination of what is significant or prolonged requires considerable judgment by the management. In making this judgment and to identify whether impairment has occurred, the Group evaluates among other factors, the normal volatility in share price, the financial health of the investees, industry and sector performance, changes in technology and operational and financial cash flows.

Impairment of goodwill and intangible assets
The Group carries out impairment testing annually in respect of the goodwill relating to the acquired subsidiaries. In carrying out the impairment analysis, the Group makes the following estimates which are critical:

Growth rate and other key assumptions
Management uses the projected cash flows over a 5 year horizon, return on capacity of 3.6% p.a. for Lloyd's capacity, price to book and median equity beta of 0.46. The growth rate used in determining the projected cash flows, return on capacity, price to book and median equity beta are estimated by taking in account the nature of the industry and the general economic growth relevant to the subsidiary in question and the Group.

Discount rate
Management discounts the cash flows using its weighted average cost of capital of 10.72% which takes into account the debt-equity structure of the Group, an estimated cost of equity based on the capital asset pricing model and an estimated long term cost of debt.

Management performs sensitivity analysis on the above and key assumptions in ascertaining its impact on the recoverable amount and impairment to the carrying value of goodwill in the consolidated financial statements. Material changes in the above assumptions may impact the recoverable amounts and may lead to an impairment to goodwill.

34. KEY SOURCES OF ESTIMATES UNCERTAINTY

The key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year , are discussed below;

Claims made under insurance contracts
Claims and loss adjustment expenses are charged to the consolidated statement of income as incurred based on the estimated liability for compensation owed to contract holders or third parties damaged by the contract holders. Liabilities for unpaid claims are estimated using the input of assessments for individual cases reported to the Group and management estimations for the claims incurred but not reported. The method for making such estimates and for establishing the resulting liability is continually reviewed. Any difference between actual claims and the provisions made are included in the consolidated statement of income in the year of settlement. As of December 31, 2016, the net estimate for unpaid claims amounted to QR 6,851,141 thousand (2015: QR 5,441,255 thousand).

34. KEY SOURCES OF ESTIMATES UNCERTAINTY (CONTINUED)

Impairment of Insurance and other receivables

An estimate of the collectible amount of insurance and other receivables is made when collection of the full amount is no longer probable. This determination of whether these insurance and other receivables are impaired, entails the Group evaluating the credit and liquidity position of the policy holders and the insurance companies, historical recovery rates and feedback received from their legal department. The difference between the estimated collectible amount discounted to present value if applicable and the book amount is recognized as an expense in the consolidated statement of income. Any difference between amounts actually collected in future periods and the amounts expected will be recognized in the consolidated statement of income at the time of collection. As of December 31, 2016, insurance and reinsurance receivables amounted to QR 1,406,505 thousand (2015: 1,106,444 thousand) and QR 2,808,121 thousand (2015: QR 3,067,764 thousand), respectively, and their corresponding provisions for impairment amounted to QR 35,091 thousand (2015: QR 27,054 thousand) and QR 15,494 thousand (2015: QR 10,989 thousand) respectively.

Liability Adequacy Test

At each reporting date, liability adequacy tests are performed to ensure the adequacy of insurance contract liabilities. The Group makes use of the best estimates of future contractual cash flows and claims handling and administration expenses, as well as investment income from the assets backing such liabilities in evaluating the adequacy of the liability. Any deficiency is immediately charged to the consolidated statement of income.

35. PARENTAL GUARANTEE

The Parent Company has provided unconditional parental guarantee to its subsidiary companies - QIC International L.L.C., Qatar Reinsurance Company L.L.C. (Qatar – Re), Q - Life & Medical Insurance Company L.L.C., Kuwait Qatar Insurance Company and QIC Europe Ltd, Malta for the purpose of obtaining financial rating from international rating agencies.

36. GROUP RESTRUCTURING

During the year, the Group has restructured its holding structure by transferring control over Antares Group from the Parent Company to a subsidiary holding company, QIC Capital LLC to hold the subsidiaries in international jurisdictions. Any share transfer or assignment performed between the Group entities as a part of group restructuring are considered as 'common control' transactions.

Accordingly, no goodwill or gain or loss on bargain purchase has been recognized during this year in these consolidated financial statements. Few rearrangements that resulted in the change of ownership held by non-controlling interest are also directly recognized in equity.

37. BUSINESS COMBINATION

Acquisition of Synergy Frimley Limited by the Group

Effective February 3, 2016, the Group acquired 100% of the share capital of Synergy Frimley Limited, Jersey UK ("SFL"). The regulatory close of the transactions was completed as on February 3, 2016. SFL holds investment in a real estate property located in UK. The Group has acquired this company as part of its strategy to expand and diversify its Real Estate investment activities.

37. BUSINESS COMBINATION (CONTINUED)

The fair value of the identifiable assets and liabilities of Synergy Frimley Limited as at the date of acquisition, as per IFRS 3 were the following:

	Fair value recognized on (QR '000)
Assets	
Investment properties	251,370
Total assets	**251,370**
Net identifiable assets acquired	**251,370**

Gain on bargain purchase or Goodwill arising on acquisition

Goodwill arising on the business combination has been computed as follows:

	As at February 3, (QR '000)
Fair value of consideration given for acquiring controlling interest	251,370
Fair value of business as at the date of acquisition	251,370
Less: Net identifiable assets acquired in accordance with IFRS 3	--
Goodwill arising on acquisition (see Note 12)	**NIL**

Since the acquisition was primarily intended to acquire an investment property, there is no intangible assets, gain on bargain purchase or Goodwill identified by the management.

Transaction and Acquisition-Related Costs
Transaction costs associated with the acquisition have been expensed and are included in the operative and administrative expenses in the consolidated statement of income and are part of operating cash flows in the consolidated statement of cash flows.

From the date of acquisition, Synergy Frimley Limited have contributed the equivalent of QR 15,155 thousand of Rental income and QR 5,105 thousand to the net profit of the Group.

38. COMPARATIVE FIGURES AND RESTATEMENT OF PRIOR YEARS' FINANCIAL INFORMATION

The financial statements for the year ended December 31, 2015 have been restated and the impact is set out below. Apart from the restatement, certain comparative figures have been reclassified to conform to current year presentation and are not material and have no impact on the previously reported profit or equity position of the group.

38. COMPARATIVE FIGURES AND RESTATEMENT OF PRIOR YEARS' FINANCIAL INFORMATION (CONTINUED)

(i) Investments and Short Term Borrowings

As part of the Group's margin trading strategy, the Group uses borrowings to finance its fixed income securities. The Group previously followed an accounting policy whereby borrowings were offset against the total fixed income investments in the presentation of its financial statements.

In 2016, the Group has adapted certain clarifications issued by IASB on IAS32 Financial Instruments: Presentation whereby it presented fixed income investments and borrowings on a gross basis on the face of the statement of financial position and due to the principle of consistency, comparability and requirements of IAS 8, the prior year's figures have been restated. The aforementioned restatement does not have any financial impact on the Group's net income, earnings per share, retained earnings, total equity, and OCI for the period or the Group's operating, investing and financing cash flows.

(ii) Insurance Contract Liabilities and Reinsurance Contract Assets

During the year, the Group reclassified and eliminated certain reinsurance contract assets and insurance contract liabilities. This reclassification, which was made to eliminate the inter-company effects of quota share business across the Group, resulted in the restatement of comparative figures presented in these consolidated Financial Statements. The aforementioned restatement does not have any financial impact on the Group's net income, earnings per share, retained earnings, total equity, and OCI for the period or the Group's operating, investing and financing cash flows.

The above matters (i) and (ii) have been reclassified by restating each of the affected financial statements line items for the prior period as follows:

	As at December 31, 2015 (QR'000)		
	As reported previously	Adjustment	Restated
Statement of financial position items:			
Investments (i)	**7,414,380**	**3,179,243**	**10,593,623**
Borrowings – Short term (i)	**364,000**	**3,179,243**	**3,543,243**
Insurance contract liabilities (ii)	**15,246,247**	**(3,478,169)**	**11,768,078**
Reinsurance contract assets(ii)	**5,606,574**	**(3,478,169)**	**2,128,405**

	As at January 1, 2015 (QR'000)		
	As reported previously	Adjustment	Restated
Statement of financial position items:			
Investments (i)	6,468,082	2,247,536	8,715,618
Borrowings – Short term(i)	182,000	2,247,536	2,429,536
Insurance contract liabilities (ii)	8,331,014	(2,012,600)	6,318,414
Reinsurance contract assets (ii)	3,251,457	(2,012,600)	1,238,857

38. COMPARATIVE FIGURES AND RESTATEMENT OF PRIOR YEARS' FINANCIAL INFORMATION (CONTINUED)

iii) Other adjustments

During the year, certain figures relating to year 2015 are restated due to the outcome of audit performed by the subsidiaries' auditors. Management, accordingly, effected the changes which have no effect on the net equity or profit and loss account in these consolidated financial statements, as follows:

	As at December 31, 2015 (QR'000)		
	As reported previously	Adjustment	Restated
Statement of financial position items:			
Insurance and other receivables	**6,617,197**	**(135,737)**	**6,481,460**
Provisions, reinsurance and other payables	**2,503,671**	**(135,737)**	**2,367,934**

QATAR INSURANCE COMPANY S.A.Q.

CONSOLIDATED FINANCIAL STATEMENTS AND

INDEPENDENT AUDITOR'S REPORT

FOR THE YEAR ENDED

DECEMBER 31, 2015

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INDEPENDENT AUDITOR'S REPORT

The Shareholders
Qatar Insurance Company S.A.Q.
Doha, Qatar

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Qatar Insurance Company S.A.Q. (the "Company") and its subsidiaries (together the "Group"), which comprise the consolidated statement of financial position as at December 31, 2015 and the consolidated statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards and the applicable provisions of Qatar Commercial Companies Law, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Group's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group as at December 31, 2015 and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Other legal and regulatory requirements

We are also of the opinion that proper books of account were maintained by the Company. We have obtained all the information and explanations which we considered necessary for the purpose of our audit. To the best of our knowledge and belief and according to the information given to us, no contraventions of the applicable provisions of Qatar Commercial Companies Law and the Company's the Articles of Association were committed during the year which would materially affect the Group's activities or its financial position.

Doha – Qatar
January 19, 2016

For **Deloitte & Touche**
Qatar Branch

Walid Slim
Partner
License No. 319

QATAR INSURANCE COMPANY S.A.Q.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at December 31, 2015

	Notes	2015 (QR '000)	2014 (QR '000)
ASSETS			
Cash and cash equivalents	5	**3,518,760**	2,646,907
Insurance and other receivables	6	**6,617,197**	2,820,028
Reinsurance contract assets	7	**5,606,574**	3,251,457
Equity accounted investments	8	**83,125**	77,065
Investments	9	**7,414,380**	6,468,082
Investment properties	10	**407,988**	375,070
Property and equipment	11	**41,406**	38,665
Goodwill and intangible assets	12	**418,560**	420,006
TOTAL ASSETS		**24,107,990**	16,097,280
LIABILITIES			
Short term borrowings	13	**364,000**	182,000
Provisions, reinsurance and other payables	14	**2,503,670**	1,660,759
Insurance contract liabilities	7	**15,246,247**	8,331,014
TOTAL LIABILITIES		**18,113,917**	10,173,773
EQUITY			
Share capital	15	**1,846,214**	1,605,404
Legal reserve	16	**1,514,143**	1,408,179
General reserve	17	**287,000**	287,000
Fair value reserve	18	**139,198**	601,000
Catastrophe special reserve	19	**277,344**	227,251
Retained earnings		**1,748,389**	1,575,949
Equity attributable to owners of the Company		**5,812,288**	5,704,783
Non-controlling interests		**181,785**	218,724
TOTAL EQUITY		**5,994,073**	5,923,507
TOTAL LIABILITIES AND EQUITY		**24,107,990**	16,097,280

These consolidated financial statements were approved by the Board of Directors and signed on its behalf by the following signatories on January 19, 2016.

H.E. Sheikh Khalid Bin Mohammed Bin Ali Al-Thani
Chairman and Managing Director

Khalifa Abdulla Turki Al Subaey
Group President and Chief Executive Officer

THE ATTACHED NOTES ARE AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS

QATAR INSURANCE COMPANY S.A.Q.

CONSOLIDATED STATEMENT OF INCOME
For the year ended December 31, 2015

	Notes	2015 (QR '000)	2014 (QR '000)
Gross premiums	20 (a)	**8,347,210**	5,613,767
Premiums ceded to reinsurers	20 (a)	**(1,189,778)**	(1,273,834)
Net premiums		**7,157,432**	4,339,933
Movement in unexpired risk reserve	20 (a)	**(1,370,259)**	(661,589)
Net earned premiums		**5,787,173**	3,678,344
Gross claims paid	20 (a)	**(3,465,272)**	(3,123,899)
Reinsurance recoveries	20 (a)	**1,199,993**	1,323,220
Movement in outstanding claims	20 (a)	**(1,606,230)**	(606,001)
Net commission expense	20 (a)	**(999,317)**	(620,093)
Other insurance income	20 (a)	**9,396**	12,277
Net underwriting result		**925,743**	663,848
Investment income	21	**712,096**	846,255
Advisory fee income		**123,063**	116,100
Rental income		**45,506**	49,847
Other income		**3,371**	2,622
Total income		**1,809,779**	1,678,672
Operating and administrative expenses	22	**(731,121)**	(638,602)
Depreciation and amortisation		**(29,229)**	(27,324)
Profit before share of results from equity accounted investments		**1,049,429**	1,012,746
Share of profit from equity accounted investments		**14,560**	12,664
Profit for the year		**1,063,989**	1,025,410
Attributable to:			
Owners of the Company		**1,043,636**	1,001,833
Non-controlling interests		**20,353**	23,577
		1,063,989	1,025,410
Earnings per share			
Basic and diluted earnings per share in Qatari Riyals (2014: Restated as a result of bonus shares)	23	**5.65**	5.43
Cash dividend per share in Qatari Riyals	24	**Xx**	2.50

THE ATTACHED NOTES ARE AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended December 31, 2015

	2015 (QR '000)	2014 (QR '000)
Profit for the year	**1,063,989**	1,025,410
Other comprehensive income		
Net changes in fair value of available-for-sale financial assets	**(469,815)**	(153,255)
Total comprehensive income for the year	**594,174**	872,155
Total comprehensive income attributable to:		
Owners of the Company	**581,965**	851,207
Non-controlling interests	**12,209**	20,948
Total comprehensive income for the year	**594,174**	872,155

QATAR INSURANCE COMPANY S.A.Q.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended December 31, 2015

	Share capital	Legal reserve	General reserve	Fair value reserve	Catastrophe special reserve	Retained earnings	Attributable to owners of the parent	Non-controlling interests	Total equity
	(QR '000)	(QR '000)	(QR '000)	(QR '000)	(QR '000)	(QR '000)	(QR '000)	(QR '000)	(QR '000)
Balance as at January 1, 2014	1,284,323	1,304,293	287,000	750,868	189,606	1,371,364	5,187,454	194,234	5,381,688
Profit for the year	–	–	–	–	–	1,001,833	1,001,833	23,577	1,025,410
Net unrealized loss on available for sale investments	–	–	–	(150,626)	–	–	(150,626)	(2,629)	(153,255)
Total comprehensive income for the year	–	–	–	(150,626)	–	1,001,833	851,207	20,948	872,155
Dividend for the year 2013	–	–	–	–	–	(321,081)	(321,081)	(6,186)	(327,267)
Issuance of bonus shares	321,081	–	–	–	–	(321,081)	–	–	–
Transfer to legal reserve	–	103,205	–	–	–	(103,205)	–	–	–
Share option reserve adjustment at a subsidiary	–	–	–	–	–	3,660	3,660	–	3,660
Increase in non-controlling interest	–	–	–	–	–	–	–	8,093	8,093
Contribution to social and sports fund	–	–	–	–	–	(14,822)	(14,822)	–	(14,822)
Transfer to catastrophe special reserve	–	–	–	–	37,645	(37,645)	–	–	–
Effect of acquisition/sale of stake in a subsidiary by NCI	–	681	–	758	–	(3,074)	(1,635)	1,635	–
Balance as at December 31, 2014	**1,605,404**	**1,408,179**	**287,000**	**601,000**	**227,251**	**1,575,949**	**5,704,783**	**218,724**	**5,923,507**
Profit for the year	–	–	–	–	–	1,043,636	1,043,636	20,353	1,063,989
Net unrealized loss on available for sale investments	–	–	–	(461,671)	–	–	(461,671)	(8,144)	(469,815)
Total comprehensive income for the year	–	–	–	(461,671)	–	1,043,636	581,965	12,209	594,174
Dividend for the year 2014	–	–	–	–	–	(401,351)	(401,351)	(7,378)	(408,729)
Issuance of bonus shares	240,810	–	–	–	–	(240,810)	–	–	–
Transfer to legal reserve	–	104,553	–	–	–	(104,553)	–	–	–
Increase in non-controlling interest	–	–	–	–	–	–	–	8,320	8,320
Contribution to social and sports fund	–	–	–	–	–	(6,272)	(6,272)	–	(6,272)
Transfer to catastrophe special reserve	–	–	–	–	50,093	(50,093)	–	–	–
Effect of acquisition/sale of stake in a subsidiary by NCI	–	1,411	–	(131)	–	(68,117)	(66,837)	(50,090)	(116,927)
Balance as at December 31, 2015	**1,846,214**	**1,514,143**	**287,000**	**139,198**	**277,344**	**1,748,389**	**5,812,288**	**181,785**	**5,994,073**

THE ATTACHED NOTES ARE AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended December 31, 2015

	Note	2015 (QR '000)	2014 (QR '000)
OPERATING ACTIVITIES			
Profit for the year		1,063,989	1,025,410
Adjustments for :			
Depreciation of property and equipment and investment properties		27,783	25,878
Amortization of intangible assets, net		1,446	1,446
Impairment loss on investments		144,891	3,280
Share of profit from equity accounted investments		(14,560)	(12,664)
Investment income and other finance income		(857,060)	(896,102)
Impairment loss on doubtful receivables		7,503	6,056
Provision for employees' end of service benefits		8,761	12,002
Net foreign exchange loss on property and equipment		251	256
Net unrealised gain on investments		73	--
Operating profit before working capital changes		383,077	165,562
Working capital changes			
Change in insurance and other receivables		(3,804,672)	(914,502)
Change in insurance reserves – net		4,560,116	1,268,851
Change in provisions, re-insurance and other payables		852,165	236,826
Cash generated from operations		1,990,686	756,737
Payment of social and sports fund contribution		(12,848)	--
Employees' end of service benefits paid		(11,918)	(1,296)
Net cash generated from operating activities		1,965,920	755,441
INVESTING ACTIVITIES			
Net cash movements in investments		(1,561,077)	(460,252)
Purchase of property and equipment		(18,129)	(14,725)
Purchase of investment properties		(45,564)	(668)
Net cash outflow on acquisition of a subsidiary		--	(1,015,188)
Disposal proceeds of equity accounted investments		--	7,500
Dividend received from equity accounted investment		8,500	9,710
Interest income and other finance income		857,060	896,102
Net cash used in investing activities		(759,210)	(577,521)

CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended December 31, 2015

	Note	2015 (QR '000)	2014 (QR '000)
FINANCING ACTIVITIES			
Dividends paid to non-controlling interests		(7,378)	(6,186)
Acquisition of non-controlling interests, net		(116,927)	--
Increase in non-controlling interest		8,320	8,093
Net movement in short term borrowings		182,000	(564,200)
Dividends paid		(400,872)	(320,625)
Net cash used in financing activities		(334,857)	(882,918)
Net increase/(decrease) in cash and cash equivalents		871,853	(704,998)
Cash and cash equivalents at the beginning of the year		2,646,907	3,351,905
Cash and cash equivalents at the end of the year	5	3,518,760	2,646,907

1. STATUS AND OPERATIONS

Qatar Insurance Company S.A.Q. (the "Parent Company") is a public shareholding company incorporated in the State of Qatar in the year 1964 under Commercial Registration No. 20 and governed by the provisions of the Qatar Commercial Companies' Law. The Parent Company and its subsidiaries (the "Group") are engaged in the business of insurance, reinsurance, real estate and financial advisory services.

The Group operates in the State of Qatar, United Arab Emirates, Sultanate of Oman, State of Kuwait, United Kingdom, Switzerland, Bermuda, Singapore, Malaysia and Malta. The consolidated financial statements incorporate the financial information of the Parent Company and its subsidiaries all of which having December 31st as financial year end. The details of subsidiaries are given below:

Name of the subsidiary	Ownership	Country of incorporation	Principal activities
QIC Capital L.L.C ("QICC")	91.79 % (2014:100%)	State of Qatar	Incorporated as a holding company to hold equity interest in the Group's international and regional insurance entities.
QIC International L.L.C. ("QICI")	100 % owned through QICC (2014: 84.60%)	State of Qatar	Primarily engaged in insurance and reinsurance QICI manages the international operations of the Group and has 2 overseas branches in Dubai and Abu Dhabi (United Arab Emirates)
Oman Qatar Insurance Company ("OQIC")	70% (owned through QICI)	Sultanate of Oman	Primarily engaged in insurance and reinsurance
Kuwait Qatar Insurance Company ("KQIC")	82.04% (owned through QICI)	State of Kuwait	Primarily engaged in insurance and reinsurance
Qatar Reinsurance Company Limited ("Qatar Re')	100 % owned through QICC (2014: 55.38% directly and 40% owned through QICI)	Bermuda*	Primarily engaged in reinsurance. Qatar-Re manages the reinsurance operations of the Group and has branch offices in Switzerland, Dubai and representative offices in United Kingdom and Singapore
Qatar Reinsurance Services LLC.	100 % owned through Qatar Re	State of Qatar	Primarily engaged in providing services to Qatar Re.
Qatar Re Underwriting Limited	100 % owned through QICC	United Kingdom	Incorporated to provide capital supporting the underwriting capacity at Lloyds.
Q Life & Medical Insurance Co LLC	85%	State of Qatar	Primarily engaged in life and medical insurance business and has a branch office in Labuan, Malaysia.
Antares Holdings Limited (AHL)	100%	Bermuda	Incorporated as a holding company for participation in Antares Syndicate 1274
Antares Underwriting Limited	100% (owned through AHL)	United Kingdom	Incorporated to provide capital supporting the underwriting capacity of Antares Syndicate 1274
Antares Managing Agency Limited (AMAL)	100% (owned through AHL)	United Kingdom	Incorporated to act as a managing agent for Antares Syndicate 1274.

1. STATUS AND OPERATIONS (CONTINUED)

Name of the subsidiary	Ownership	Country of incorporation	Principal activities
Antares Underwriting Asia Pte. Limited	100% (owned through AMAL)	Singapore	Incorporated to participate in Lloyds Asia Scheme.
Antares Underwriting Services Limited (AUSL)	100% (owned through AHL)	United Kingdom	Primarily engaged in providing services to AMAL and Antares Syndicate 1274.
Antares Capital I Limited	100% (owned through AHL)	United Kingdom	Incorporated to provide capital supporting the underwriting capacity of Antares Syndicate 1274
Antares Capital III Limited	100% (owned through AHL)	United Kingdom	Incorporated to provide capital supporting the underwriting capacity of Antares Syndicate 1274
Antares Capital IV Limited	100% (owned through AHL)	United Kingdom	Incorporated to provide capital supporting the underwriting capacity of Antares Syndicate 1274
Antares Group Holdings Limited	100 %	United Kingdom	Incorporated as a holding company for participation in Antares Syndicate 1274.
QIC Europe Limited	100%	Malta	Primarily engaged in insurance business
QANIT Ltd.	100% (owned through QICI)	UAE	Primarily engaged in Real Estate activities in the UAE
Qatar Insurance Company Real Estate S.P.C.	100%	State of Qatar	Primarily engaged in Real Estate activities in the State of Qatar
Qatar Economic Advisors S.P.C. (QEA)	100%	State of Qatar	Primarily engaged in financial and other advisory services
Qatar Insurance Group S.P.C	100%	State of Qatar	Primarily engaged in the management of QIC Group entities.
CATCo Investment Management Ltd. ("CATCO- IM")	100%	Bermuda	Primarily engaged in providing investment management services.
CATCo-Re Ltd.	100% owned through CATCO- IM	Bermuda	Primarily engaged in issuance of fully collateralized reinsurance contracts for CATCo Re Fund.
Epicure Managers Qatar Ltd.	100%	BVI	Primarily engaged in providing investment management services
QIC International	84.6%	State of Qatar	The subsidiary is incorporated under the Ministry of Economy & Commerce regime and is inoperative at the moment

1. STATUS AND OPERATIONS (CONTINUED)

Name of the subsidiary	Ownership	Country of incorporation	Principal activities
QIC Asset Management Ltd (QICAM)	100% owned through QEA.	Cayman Islands	Primarily engaged in financial and other advisory services
LCP Holdings Ltd.	100% owned through QICAM (2014: 51% owned through QICC).	Cayman Islands	Incorporated as a holding company to hold equity interest in asset management initiatives of the Group.
Taleem Advisory Ltd.	100% owned through QEA	Cayman Islands	Primarily engaged in financial and other advisory service.
Education Company 2 Ltd	100% owned through QEA.	Cayman Islands	Primarily engaged in financial and other advisory services
Lagoon Capital Partners Ltd	100% owned through LCP Holdings Ltd.	UAE	Primarily engaged in financial and other advisory services

* During the year, Qatar Reinsurance Company L.L.C. changed its legal jurisdiction from Qatar Financial Centre, Qatar to Bermuda under the supervision of Bermuda Monetary Authority. Regulatory approvals were obtained from BMA and QFCRA during the year 2015.

Certain subsidiaries were formed during the year and yet to commence their operation as of year end December 31, 2015.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs)

In the current financial year, the Group has adopted certain new and revised standards and interpretations, which are mainly:

IAS 24	Amendments to disclose the amount paid to management entity for providing key managerial personnel as related party transaction.
IFRS 8	Amendment resulting in additional diselosure about judgments involved in deciding whether or not to aggregate operating segments

The revised standards issued by IASB and IFRIC interpretations which are effective from the accounting period commencing January 1, 2015, had no significant effect on the consolidated financial statements of the Group for the year ended December 31, 2015.

The following IASB Standards and IFRIC interpretations issued but, are not mandatory for the year ended December 31, 2015, have not yet been adopted by the Group:

- IFRS 9 - "Financial Instruments" was issued to replace IAS 39 – "Financial Instruments: Recognition and Measurement". IFRS 9 simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortized cost and fair value. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. IFRS 9 Financial Instruments will be applicable for annual periods beginning on or after January 1, 2018;

- Certain consequential amendments to IFRS 7 "Financial Instrument disclosures" and IAS 39 (Revised) due to application of IFRS 9, detailed above.

The Group is currently in the process of evaluating the potential effect of these amendments in the presentation of the consolidated financial statements.

A number of new standards, amendments to standards and interpretations that are not yet effective for the year ended December 31, 2015 have not been applied in preparing these consolidated financial statements. The Group does not expect the proposed amendments which will become mandatory for the consolidated financial statements for the year 2016 or thereafter, to have a significant impact on the consolidated financial statements.

3. BASIS OF PREPARATION

a) Statement of compliance
The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and the applicable provisions of the Qatar Commercial Companies Law .

b) Basis of preparation
The accompanying consolidated financial statements have been prepared under the historical cost convention, except for certain financial instruments that are measured at fair value at the end of each reporting period.

Financial assets and financial liabilities are offset and the net amount reported in these consolidated statement of financial position only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liability simultaneously. Income and expense are not offset in the consolidated statement of income unless required or permitted by any accounting standard or interpretation, as specifically disclosed in the accounting policies of the Group.

c) Functional and presentation currency
These consolidated financial statements are presented in Qatari Riyal (QR) and rounded to the nearest thousand (QR '000), unless otherwise indicated.

d) Significant accounting judgements and estimates
The Group makes judgements, estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, expenses and disclosure of contingent liabilities at the reporting date. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimates are revised and in any future years affected. The key judgements and estimates made by the Group are detailed in Notes 30 and 31.

4. SIGNIFICANT ACCOUNTING POLICIES

a) Consolidation, translation and financial instruments

i) Basis of consolidation

Subsidiaries
The consolidated financial statements incorporate the financial statements of the Parent Company and entities controlled by the Parent Company directly or indirectly as at December 31st of each year.

Subsidiaries are all entities over which the Group has control. Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date when such control ceases. The financial statements of the subsidiary companies are prepared for the same reporting period as the Parent Company, using consistent accounting policies.

Control is achieved when the Parent Company directly or indirectly (i) has power over the investee, (ii) has exposure or rights to variable returns from its involvement with the investee and (iii) has the ability to use its power to effect those returns.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

a) Consolidation, translation and financial instruments (continued)

i) Basis of consolidation (continued)

Subsidiaries (continued)
The Parent Company reassesses whether or not it controls an investee and facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Parent Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Parent Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

All significant intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Parent Company.

Non-controlling interests represent the portion of profit or loss and net assets not held by the Group and are presented separately in the consolidated statement of income and within equity in the consolidated statement of financial position, separately from parent shareholders' equity.

When the Group ceases to control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in the consolidated statement of income. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to the consolidated statement of income.

Investments in associates and jointly controlled entities
Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

Joint ventures are joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

a) Consolidation, translation and financial instruments (continued)

i) Basis of consolidation (continued)

Investments in associates and jointly controlled entities (continued)
Investments in associates and jointly controlled entities are accounted for using the equity method.

Under the equity method, the investment is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognize the Group's share of profit or loss and other comprehensive income of the associate or joint venture. When the Group's share of losses exceeds its interest in an equity-accounted investee, the carrying amount of that interest, including any long-term investments, is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

The consolidated financial statements include the Group's share of profit or loss and other comprehensive income, after adjustments to align the accounting policies with those of the Group, from the date that significant influence or joint control commences until the date that significant influence or joint control ceases. The financial year–end of the associate entities and the Group is uniform.

Business combination
Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognized in consolidated statement of income as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognized at their fair value.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held in equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed as at date of acquisition. If the net of the acquisition date amounts of identifiable asset acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree (if any), the excess is recognized immediately in the consolidated statement of income as a bargain purchase gain.

Goodwill
Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment at least annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in the consolidated statement of income. An inpairment loss recognised for goodwill is not reversed in subsequent periods

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

a) Consolidation, translation and financial instruments (continued)

i) Basis of consolidation (continued)

Intangible assets
Intangible assets acquired in a business combination and recognized separately from goodwill are initially recognized at cost which is their fair value as at the date of acquisition. Subsequent to initial recognition,

- Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the consolidated statement of income.

- Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash generating unit level. Such intangibles are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is made on prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the consolidated statement of income when the asset is derecognised.

The current policy applied to the Group's intangible assets is as follows:

Intangible assets acquired	*Economic Life*
Syndicate Capacity	Indefinite
Runoff services – Württembergische Versicherung AG	7 years

ii) Foreign currency

Foreign operations
The individual financial statements of the Group entities are presented in the currency of the primary economic environment in which they operate (functional currency). For the purpose of these consolidated financial statements, the results and financial position of each subsidiary are expressed in the functional currency of the Parent Company.

The assets and liabilities of foreign operations are translated to Qatari Riyal using exchange rates prevailing at the reporting date. Income and expenses are also translated to Qatari Riyal at the exchange rates prevailing at the reporting date, which do not significantly vary from the average exchange rates for the year. Foreign currency translation reserve is not shown separately under equity due to insignificance of the amount.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences are recognized in other comprehensive income.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

a) Consolidation, translation and financial instruments (continued)

ii) Foreign currency (continued)

Foreign currency transactions
Foreign currency transactions are recorded in the respective functional currencies of Group entities at the rates of exchange prevailing at the date of each transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the respective functional currencies at the rate of exchange prevailing at the year end. The resultant exchange differences are included in the consolidated statement of income.

iii) Financial instruments

Financial instruments represent the Group's financial assets and liabilities. Financial assets include cash and cash equivalents, insurance and other receivables and investments. Financial liabilities include short term borrowings and other payables.

Financial asset or liability is initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in the consolidated statement of income.

Recognition
The Group initially recognizes cash and cash equivalents, insurance and other receivables, short term borrowings and other payables at the date that they originate. All other financial assets and liabilities are initially recognized at the trade date or settlement date when the Group becomes a party to the contractual provisions of the instrument.

De-recognition
The Group derecognizes a financial asset when the contractual rights to receive cash flows from that asset expire or it transfers the right to receive the contractual cash flow of that asset in a transaction in which substantially all the risks and rewards of ownership of the financial assets are transferred. Any interest in the transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability. The Group derecognizes a financial liability when its contractual obligations are discharged or cancelled or expired.

Measurement
The measurement of financial assets and liabilities is disclosed under accounting policy for respective financial assets and liabilities.

Fair values of financial instruments
Fair value is the amount for which an asset could be exchanged or a liability settled between knowledgeable willing parties on an arm's length transaction at the measurement date. Differences can therefore arise between the book values under the historical cost method and fair value estimates.

Underlying the definition of fair value is a presumption that an enterprise is a going concern without any intention or need to liquidate, curtail materially the scale of its operations or undertake a transaction on adverse terms.

Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognized in the profit or loss as they arise.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

a) Consolidation, translation and financial instruments (continued)

iii) Financial instruments (continued)

Fair values of financial instruments (continued)
Fair values of marketable investments are determined by reference to their bid prices at the close of business at the reporting date. In respect of unquoted available for sale financial assets, the fair value is determined based on various valuation techniques, as deemed appropriate. The fair values of the Group's other financial assets and financial liabilities are not materially different from their carrying values.

Impairment of financial asset
At each reporting date, the Group assesses whether there is objective evidence that any financial asset is impaired. Financial assets are impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset, and that the loss event has an impact on the future cash flows of the asset that can be estimated reliably.

Objective evidence that financial assets are impaired can include default or delinquency by a customer or insurer or reinsurer, indications that the customer or insurer or reinsurer will enter bankruptcy or the disappearance of an active market for a security. In addition for an investment in equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment. Impairment loss on assets are recognised in the consolidated statement of income and reflected as an allowance against receivables or investments.

b) Insurance operations

i) Insurance and other receivables
Insurance and other receivables are recognised when due and measured on initial recognition at the fair value of the consideration received or receivable. The carrying value of the receivables is reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable, with the impairment loss recorded in the consolidated statement of income. After initial measurement, insurance and other receivables are measured at amortised cost as deemed appropriate.

Insurance receivables are derecognised when the derecognition criteria for financial assets, as described in Note 4 (iii), have been met.

ii) Reinsurance contract assets
The Group cedes insurance risk in the normal course of business as part of its businesses model. Reinsurance assets represent balances recoverable from reinsurance companies. Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision or settled claims associated with the reinsurers' policies and are in accordance with the related reinsurance contract.

Reinsurance assets are reviewed for impairment at each reporting date, or more frequently, when an indication of impairment arises during the reporting year. Impairment occurs when there is objective evidence as a result of an event that occurred after initial recognition of the reinsurance asset that the Group may not receive all outstanding amounts due under the terms of the contract and the event has a reliably measurable impact on the amounts that the Group will receive from the reinsurer. The impairment loss is recorded in the income statement.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

iii) Reinsurance and other payables
Reinsurance and other payables are recognized when due and measured on initial recognition at the fair value of the consideration received less directly attributable transaction costs. Subsequently, reinsurance and other payables are measured at amortised cost, as deemed appropriate.

b) Insurance operations (continued)

iv) Gross premiums
Gross premiums are recognized when written and include an estimate for written premiums receivable at period end. Gross premiums comprise the total premiums receivable for the whole period of cover provided by contracts entered into during the accounting period. Gross premiums also include any adjustments arising in the accounting period for premiums receivable in respect of business written in prior accounting periods. Premium on insurance contracts are recognized as revenue (earned premiums) proportionally over the period of coverage or using actuarial assumptions, as appropriate. The portion of premium received on in-force contracts that relates to unexpired risks at the reporting date is reported as unearned premium reserve.

v) Premiums ceded to reinsurers
Reinsurance premiums comprise the total premiums payable for the reinsurance cover provided by contracts entered into during the period and are recognized on the date on which the policy incepts. Reinsurance premiums also include any adjustments arising in the accounting period in respect of reinsurance contracts incepting in prior accounting periods. Unearned reinsurance premiums are those proportions of premiums written in a year that relate to periods of risk after the reporting date.

vi) Insurance contract liabilities
Insurance contract liabilities include the outstanding claims provision and the provision for unearned premium. Insurance contract liabilities are recognised when contracts are entered into and premiums are charged.

Provision for outstanding claims
Provision for outstanding claims is recognized at the date the claims are known and covers the liability for losses and loss adjustment expenses based on loss reports from independent loss adjusters and management's best estimate.
Claims provision also includes liability for claims incurred but not reported as at the reporting date. The liability is calculated at the reporting date using a range of historic trends, empirical data and standard actuarial claim projection techniques. The current assumptions may include a margin for adverse deviations. The liability is not discounted for the time value of money.

Unexpired risks reserve
The provision for unearned premiums represents that portion of premiums received or receivable, after deduction of the reinsurance share, which relates to risks that have not yet expired at the reporting date. The provision is recognised when contracts are entered into and premiums are charged, and is brought to account as premium income over the term of the contract in accordance with the pattern of insurance service provided under the contract.
Insurance contract liabilities are derecognised when the contract expires, discharged or cancelled by any party to the insurance contract.
At each reporting date, the Group reviews its unexpired risk and a liability adequacy test is performed in accordance with IFRS 4 to determine whether there is any overall excess of expected claims and deferred acquisition costs over unearned premiums. This calculation uses current estimates of future contractual cash flows after taking account of the investment return expected to arise on assets relating to the relevant non-life insurance technical provisions. If these estimates show that the carrying amount of the unearned premiums (less related deferred acquisition costs) is inadequate, the deficiency is recognised in the income statement by setting up a provision for premium deficiency.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

b) Insurance operations (continued)

vii) Gross claims paid
Gross claims paid include all claims paid during the year and the related external claims handling costs that are directly related to the processing and settlement of claims.

viii) Commission earned and paid
Commissions earned and paid are recognized at the time the policies are underwritten or deferred and amortised over the same period over which the corresponding premiums are recognised in accordance with the pattern of insurance service provided under the contract.

c) Investment activities

The Group classifies its investments into financial assets at fair value through profit or loss and available for sale financial assets. The classification depends on the purpose for which the investments were acquired or originated.

i) Non-derivative financial instruments
All investments are initially recognised at cost, being the fair value of the consideration given including acquisition charges associated with the investment.

Financial assets at fair value through profit or loss (Held for trading)
Financial assets at fair value through profit or loss include financial assets held for trading and those designated upon initial recognition at fair value through profit or loss. Investments typically bought with the intention to sell in the near future are classified as held for trading. These investments are carried at fair value (marked to market) with any gain or loss arising from the change in fair value included in the profit or loss in the year in which it arises.

Available for sale – Quoted
Subsequent to initial recognition, investments which are classified "available for sale - quoted" are re-measured at fair value. The unrealised gains and losses on re-measurement to fair value are recognized in other comprehensive income and accumulated under the heading of fair value reserve until the investment is sold, collected or otherwise disposed of, or the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in the consolidated statement of income for the year.

Available for sale – Unquoted shares and private equity
The fair value of these investments cannot be reliably measured due to the nature of their cash flows, these investments are therefore carried at cost less any provision for impairment.

ii) Derivative financial instruments
Derivatives are initially recognized at cost, being fair value of the consideration given or received on the date of acquisition and are subsequently remeasured at their fair value.

The fair value of a derivative is the equivalent of the unrealised gain or loss from marking to market the derivative using prevailing market rates or internal pricing models.

The resultant gains and losses on derivatives held for trading purposes are included in the consolidated statement of income.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

c) Investment activities (continued)

ii) Derivative financial instruments (continued)

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recognised in profit or loss immediately, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

iii) Fair value reserve

This represents the unrealised gain or loss of the year-end fair valuation of available for sale investments. In the event of a sale or impairment, the cumulative gains or losses recognised under the investments fair value reserve are included in the consolidated statement of income for the year.

iv) Investment income

Interest income
Interest income is recognised in the income statement as it accrues and is calculated by using the effective interest rate method, except for short-term receivables when the effect of discounting is immaterial.

Dividend income
Dividend income is recognised when the right to receive the dividends is established or when received.

v) Advisory fee income

Initial and other front-end fees received for rendering financial and other advisory services are deferred and recognised as revenue when the related services are rendered.

vi) Rental income

Rental income from investment properties is recognised in the consolidated statement of income on a straight line basis over the term of operating lease and the advances and unearned portion of the rental income is recognised as a liability.

d) General

i) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less in the consolidated statement of financial position. The cash equivalents are readily convertible to cash.

ii) Short term borrowings

Short term borrowings are recognised initially at fair value, net of transaction costs incurred and it is subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the consolidated statement of income over the period of the borrowings using the effective interest method.

iii) Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation. Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are carried at historical cost less accumulated depreciation and accumulated impairment losses.

4) SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

d) General (continued)

iii) Investment properties (continued)

Investment properties are derecognised when either they have been disposed-off or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in the consolidated statement of income in the year of retirement or disposal.

iv) Property and equipment

Property and equipment, including owner-occupied properties, are carried at historical cost less accumulated depreciation and accumulated impairment losses. Subsequent expenditure is capitalised only when it is probable that future economic benefits associated with the expenditure will flow to the Group.

Ongoing repairs and maintenance are charged to the consolidated statement of income during the financial period they are incurred.

The assets' residual values, useful lives and method of depreciation applied are reviewed and adjusted, if appropriate, at each financial year end and adjusted prospectively, if appropriate. Impairment reviews are performed when there are indicators that the carrying value may not be recoverable. Impairment losses are recognised in the consolidated statement of income as an expense.

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognised in the consolidated statement of income in the year the asset is derecognised.

v) Depreciation

Depreciation is provided on a straight line basis on all property and equipment and investment properties, other than freehold land which is determined to have an indefinite life. The rates of depreciation are based upon the following estimated useful lives:

Buildings	-	15 to 20 years
Furniture & fixtures	-	2 to 5 years
Motor vehicles	-	3 years

Depreciation methods, useful lives and residual values are reviewed and adjusted if appropriate at each financial year end.

vi) Impairment of non-financial assets

An assessment is made at each reporting date to determine whether there is objective evidence that an asset or group of assets is impaired. If such evidence exists, the estimated recoverable amount of that asset is determined and an impairment loss is recognized for the difference between the recoverable amount and the carrying amount. Impairment losses are recognized in the consolidated statement of income.

vii) Provisions

The Group recognizes provisions in the consolidated financial statements when the Group has a legal or constructive obligation (as a result of a past event) that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. The provision is created by charging the consolidated statement of income for any obligations as per the calculated value of these obligations and the expectation of their realisation at the reporting date.

4) SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

d) General (continued)

viii) Employees' end of service benefits
Provision is made for amounts payable in respect of employees' end of service benefits based on contractual obligations or respective local labour laws of the group entities, whichever is higher, and is calculated using the employee's salary and period of service at the reporting date.

ix) Contribution to social and sports fund
Pursuant to the Qatar Law No. 13 of 2008 and the related clarifications issued in 2012, which is applicable to all Qatari listed shareholding companies with publicly traded shares, the Group has made an appropriation of 2.5% of its adjusted net profit to a state social fund.

x) Share capital
The Group has issued ordinary shares that are classified as equity instruments. Incremental external costs that are directly attributable to the issue of these shares are recognised in equity.

xi) Dividend distribution
Dividend distribution to the Parent Company's shareholders is recognised as a liability in the Parent Company's consolidated financial statements in the period in which the dividends are approved by the Parent Company's shareholders.

xii) Earnings per share
The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Parent Company by the weighted number of ordinary shares outstanding during the year. Diluted EPS is calculated by adjusting the earnings and number of shares for the effects of all dilutive potential shares.

xiii) Segment reporting
An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the management to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

5. CASH AND CASH EQUIVALENTS

	2015 (QR '000)	2014 (QR '000)
Cash and demand deposits	**809,796**	834,131
Time deposits maturing within 3 months	**2,708,964**	1,812,776
	3,518,760	2,646,907

6. INSURANCE AND OTHER RECEIVABLES

	2015 (QR '000)	2014 (QR '000)
Receivables from policyholders		
Due from policy holders	**1,036,777**	962,800
Impairment losses on doubtful receivables	**(13,556)**	(9,574)
	1,023,221	953,226
Receivables from Reinsurers		
Due from insurance companies	**3,378,664**	1,154,772
Impairment losses on doubtful receivables	**(24,938)**	(21,417)
	3,353,726	**1,133,355**
Other receivables		
Staff advances against indemnity	**40,469**	44,204
Deferred acquisition cost	**749,150**	434,207
Prepayments and others	**1,450,631**	255,036
	2,240,250	733,447
	6,617,197	2,820,028

7. INSURANCE CONTRACT LIABILITIES AND REINSURANCE CONTRACT ASSETS

	2015 (QR '000)	2014 (QR '000)
Gross insurance contract liabilities		
Claims reported and unsettled	**4,423,450**	3,219,502
Claims incurred but not reported	**3,939,250**	1,467,199
Unearned premiums	**6,883,547**	3,644,313
	15,246,247	8,331,014
Reinsurers' share of insurance contract liabilities		
Claims reported and unsettled	**1,556,378**	1,413,718
Claims incurred but not reported	**1,368,073**	415,797
Unearned premiums	**2,682,123**	1,421,942
	5,606,574	3,251,457
Net insurance contract liabilities		
Claims reported and unsettled	**2,867,072**	1,805,784
Claims incurred but not reported	**2,571,177**	1,051,402
Unearned premiums	**4,201,424**	2,222,371
	9,639,673	5,079,557

7. INSURANCE CONTRACT LIABILITIES AND REINSURANCE CONTRACT ASSETS (CONTINUED)

Movements in insurance contract liabilities and reinsurance contract assets are as follows:

	2015			2014		
	Insurance contract liabilities	**Reinsurers' share**	**Net**	Insurance contract liabilities	Reinsurers' share	Net
	(QR '000)	**(QR '000)**	**(QR '000)**	(QR '000)	(QR '000)	(QR '000)
At January 1,	**4,686,701**	**1,829,515**	**2,857,186**	2,603,054	1,269,167	1,333,887
Claims incurred	**6,134,933**	**2,263,424**	**3,871,509**	3,819,461	1,412,781	2,406,680
Movement on portfolio transfer/acquisition*	**1,006,338**	**31,505**	**974,833**	1,388,085	470,787	917,298
Claims paid during the year	**(3,465,272)**	**(1,199,993)**	**(2,265,279)**	(3,123,899)	(1,323,220)	(1,800,679)
At December 31,	**8,362,700**	**2,924,451**	**5,438,249**	4,686,701	1,829,515	2,857,186

*The above movements in insurance contract liabilities reflect assets and liabilities reflect assets and liabilities recognized for Antares Holding Limited and its subsidiary companies on acquisition by the Group during the year 2014 and certain portfolio transfer during the year 2015.

Movements in provision for unearned premiums during the year are as follows:

	2015			2014		
	Insurance contract liabilities	**Reinsurers' share**	**Net**	Insurance contract liabilities	Reinsurers' share	Net
	(QR '000)	**(QR '000)**	**(QR '000)**	(QR '000)	(QR '000)	(QR '000)
At January 1,	**3,644,313**	**1,421,942**	**2,222,371**	1,991,561	882,151	1,109,410
Premiums written in the year	**8,347,210**	**1,189,778**	**7,157,432**	5,613,767	1,273,834	4,339,933
Movement on portfolio transfer/acquisition**	**654,776**	**45,982**	**608,794**	569,949	118,577	451,372
Premiums earned during the year	**(5,762,752)**	**24,421**	**(5,787,173)**	(4,530,964)	(852,620)	(3,678,344)
At December 31,	**6,883,547**	**2,682,123**	**4,201,424**	3,644,313	1,421,942	2,222,371

**The above movements in provision for unearned premium liabilities reflect unearned premium reserves and relevant Reinsurer's share of Anatares Holding Limited and its subsidiary companies on acquisition by the Group during the year 2014 and certain portfolio transfer during the year 2015.

8. EQUITY ACCOUNTED INVESTMENTS

	2015 (QR '000)	2014 (QR '000)
Al Daman Islamic Insurance Company	76,363	69,762
Asteco Qatar L.L.C.	1,246	1,246
Massoun Insurance Services L.L.C.	5,516	6,057
	83,125	77,065

Details of the equity accounted companies held during the year were as follows.

Name of associate	Place of incorporation and operation	Proportion of ownership and voting power held	Principal activities
Al Daman Islamic Insurance Company	State of Qatar	12.5% directly and 12.5% through QICI	Insurance and reinsurance
Asteco Qatar L.L.C.	State of Qatar	20% directly	Real estate brokerage and management
Massoun Insurance Services L.L.C.	State of Qatar	50% directly	Insurance marketing and distribution
Al Manhal Properties	State of Qatar	25.5 % directly	SPV for holding real estate properties for a fund
Gulf Real Estate Managers Ltd.	Cayman Islands	50 % through QIC Capital L.L.C.	SPV to invest and manage property fund and is currently dormant.
Gulf Real Estate Holding GP Ltd	Cayman Islands	50 % through QIC Capital L.L.C.	SPV to invest and manage property fund and is currently dormant.

Summarised financial information of the equity accounted companies are as follows:

	2015 (QR '000)	2014 (QR '000)
Current assets	818,042	706,057
Non-current assets	42,829	3,097
Current liability	550,456	443,352
Non-current liability	1,707	--
Results for the year	52,322	44,973

	2015 (QR '000)	2014 (QR '000)
Balance at January 1	77,065	81,611
Capital reduction	--	(7,500)
Dividends	(8,500)	(9,710)
Share of profit for the year	14,560	12,664
Balance at December 31	83,125	77,065

9. INVESTMENTS

The carrying amounts of investments at yearend were as follows:

	2015		2014	
	(QR '000)	(QR '000)	(QR '000)	(QR '000)
Held for trading investments				
Managed funds and Shares		2,868,502		1,528,922
Available-for-sale investments				
Qatari public shareholding Companies		1,893,992		1,898,111
Bonds	4,836,581		4,212,156	
Less : Margin Collaterals	(3,084,486)	1,752,095	(2,247,536)	1,964,620
International quoted shares		425,869		655,376
Unquoted shares and private equity		473,922		421,053
Total available for sale investments		4,545,878		4,939,160
Total investments		7,414,380		6,468,082

10. INVESTMENT PROPERTIES

	2015	2014
	(QR '000)	(QR '000)
Net carrying value as at January 1	375,070	387,197
Additions during the year	45,564	668
Depreciation for the year	(12,646)	(12,795)
Net carrying value as at December 31	407,988	375,070

	2015	2014
	(QR '000)	(QR '000)
Investment property		
At cost	510,576	465,012
Accumulated depreciation	(102,588)	(89,942)
Net carrying value as at December 31	407,988	375,070

The investment properties were estimated by the management, by reference to market evidence of recent transactions for similar properties. The estimated fair value of the above investment properties as at December 31, 2015 were QR 1,135.8 million (2014: QR 1,090.3 million).

10. INVESTMENT PROPERTIES (CONTINUED)

The rental income arising during the year amounted to QR 45,506 thousand (2014: QR 49,847 thousand) and the direct operating expenses (included within general and administrative expenses) arising in respect of such properties during the period was QR 6,464 thousand (2014: QR 5,648 thousand).

11. PROPERTY AND EQUIPMENT

	Freehold land	Building	Furniture & fixtures	Motor vehicles	Total
	(QR '000)	(QR '000)	(QR '000)	(QR '000)	(QR '000)
Cost:					
At January 1, 2014	9,709	40,352	68,035	10,164	128,260
Acquisition through business combination	--	--	7,138	--	7,138
Additions	--	--	10,853	3,872	14,725
Effect of foreign currency exchange difference	--	--	(504)	--	(504)
Disposals	--	--	(642)	(781)	(1,423)
At December 31, 2014	9,709	40,352	84,880	13,255	148,196
Additions	--	--	16,526	1,603	18,129
Effect of foreign currency exchange difference	--	--	(542)	--	(542)
Disposals	--	--	(96)	(1,210)	(1,306)
At December 31, 2015	**9,709**	**40,352**	**100,768**	**13,648**	**164,477**
Accumulated Depreciation:					
At January 1, 2014	--	38,601	47,878	8,189	94,668
Acquired through business combination	--	--	3,451	--	3,451
Charge during the year	--	1,147	10,088	1,848	13,083
Effect of foreign currency exchange difference	--	--	(248)	--	(248)
Disposals	--	--	(642)	(781)	(1,423)
At December 31, 2014	--	39,748	60,527	9,256	109,531
Charge during the year	--	604	12,242	2,291	15,137
Effect of foreign currency exchange difference	--	--	(291)	--	(291)
Disposals	--	--	(96)	(1,210)	(1,306)
At December 31, 2015	--	**40,352**	**72,382**	**10,337**	**123,071**
Net book values:					
At December 31, 2015	**9,709**	--	**28,386**	**3,311**	**41,406**
At December 31, 2014	9,709	604	24,353	3,999	38,665

12. GOODWILL AND INTANGIBLE ASSETS

Movements in goodwill and intangible assets were as follows:

	Goodwill	Lloyd's syndicate capacity	Runoff services (WV)	Total
	QR '000	QR '000	QR '000	QR '000
	(i)	(ii)	(ii)	
On acquisition of Antares Holding Limited	145,111	266,222	10,119	421,452
Amortization expense	--	--	(1,446)	(1,446)
At December 31, 2014	145,111	266,222	8,673	420,006
Amortization expense	--	--	(1,446)	(1,446)
At December 31, 2015	**145,111**	**266,222**	**7,227**	**418,560**

Effective January 1, 2014, the Group acquired 100% of the share capital of Antares Holdings Limited and its subsidiary companies. The regulatory close of the transaction was completed on June 25, 2014.

(i) Goodwill

Goodwill, amounting to QR 145.11 million that arose on acquisition of Antares Holding Limited has been allocated to Antares Holding Limited UK cash generating unit (Antares CGU). The recoverable amount of this cash generating unit is determined on the basis of market value based approach. The method assumes that Antares CGU to follow the pattern on market capitalization of similar Lloyd's Syndicates listed entities and their relevant book value.

(ii) Intangible assets

The following table summarizes the intangible assets recorded in connection with the acquisition:

	Amount (QR '000)	Economic useful Life
Lloyd's syndicate capacity	266,222	Indefinite
Runoff services - Württembergische Versicherung AG	10,119	7 years
Intangible assets as of the acquisition date	276,341	
Accumulated amortisation expense	(2,892)	
Net Intangible assets as at December 31, 2015	273,449	

(a) Lloyd's Syndicate Capacity

The fair value of Lloyd's syndicate capacity and insurance licenses was estimated using the market approach. The Lloyd's capacity is renewed annually at no cost to the subsidiary or may be freely purchased or sold, subject to Lloyd's approval. The ability to write insurance business within the syndicate capacity is indefinite with the premium income limit being set annually by the Company, subject to Lloyd's approval. The recoverable amount was determined on the basis of regression analysis using average return on capital and certain observable data available in Lloyd's Syndicate.

12. GOODWILL AND INTANGIBLE ASSETS (CONTINUED)

(ii) Intangible assets (continued)

(b) Runoff services - Württembergische Versicherung AG (WV)
The fair value of Württembergische Versicherung AG (WV) management agreement represents the estimated amount of the run-off administration services in respect of the former UK Branch of WV which is provided by Antares Underwriting Services Limited ("AUSL"). The fair value of the agreement has been capitalized and amortized on a straight-line basis, over the estimated useful life of 7 years. The recoverable amount of WV was determined on the basis value in use calculation which uses the financial budgets covering the residual period of the management agreement and a discount rate of 11.16%.

Management believes that any reasonable possible changes in the key assumptions on which recoverable amount is based would not cause the aggregate carrying amount of goodwill to exceed the aggregate recoverable amount of the Antares CGU and intangible assets carrying value and year end.

13. SHORT TERM BORROWINGS

	2015	2014
	(QR '000)	**(QR '000)**
Short term borrowings	**364,000**	182,000

The short term borrowings are for a period of three months and carries an interest rate of 1.45% per annum.

14. PROVISIONS, REINSURANCE AND OTHER PAYABLES

	2015	2014
	(QR '000)	(QR '000)
Trade payables	**574,212**	552,701
Due to reinsurance companies	**1,059,569**	641,508
Other payables:		
Accruals & deferred income	**679,665**	267,774
Employees' end of service benefits (see Note 14.1)	**76,532**	79,689
Provision for board of directors remuneration	**22,500**	22,500
Other liabilities	**91,192**	96,587
	2,503,670	1,660,759

14.1 EMPLOYEES' END OF SERVICE BENEFITS

	2015	2014
	(QR '000)	(QR '000)
Provision at January 1	**79,689**	68,983
Expenses recognised during the year	**8,761**	12,002
Payment made during the year	**(11,918)**	(1,296)
Provision at December 31	**76,532**	79,689

15. SHARE CAPITAL

The authorised, issued and fully paid share capital at December 31, 2015 consists of 184,621,437 equity shares of QR 10 each (2014: 160,540,380 equity shares of QR 10 each).

16. LEGAL RESERVE

Legal reserve is computed in accordance with the provisions of the Qatar Central Bank (QCB) regulations, applicable provisions of Qatar Commercial Companies' Law and the company's Articles of Association at 10% of the net profit for the year. On November 23, 2014, the Extra-Ordinary General Meeting approved the amendment of paragraph (1) Article (66) of the Articles of Association of the Company. This reserve is to be maintained until it equates 100% of the paid up capital and is not available for distribution except in circumstances specified in the Qatar Central Bank (QCB) regulations/Qatar Commercial Companies Law. The legal reserve also includes the Group's share in legal reserve arising out of the subsidiary companies.

17. GENERAL RESERVE

During the year no amount has been transferred to the general reserve.

18. FAIR VALUE RESERVE

The fair value reserve arose from the revaluation of available for sale investments as per the accounting policy detailed in Note 4.

19. CATASTROPHE SPECIAL RESERVE

The Group has appropriated further QR 50.09 million (2014: QR 37.65 million) from its retained earnings as a catastrophe special reserve in the consolidated statement of changes in equity. The formation of reserve was approved at the Board meeting held on January 25, 2011. This reserve will be utilised at the recommendation of the Board of Directors after approval at the Annual General Meeting when there is a catastrophe event.

20. OPERATING SEGMENTS

a) Segment information

For management purposes, the Group is organised into six business segments- Marine & Aviation insurance, Property & Casualty insurance, Health & Life insurance, Real Estate, Advisory and Investments. These segments are the basis on which the Group reports its operating segment information. No operating segments have been aggregated in arriving at the reportable segment of the Group.

Segment income statement for the year ended December 31, 2015

	Marine & Aviation	Property & Casualty	Health & Life	Total Insurance	Real Estate	Advisory	Investments	Un-allocated (expenses) / income	Total
	(QR '000)	(QR '000)	(QR '000)	(QR '000)	(QR '000)	(QR '000)	(QR'000)	(QR '000)	(QR '000)
Gross premiums	942,991	6,488,724	915,495	8,347,210	--	--	--	--	8,347,210
Premiums ceded to reinsurers	(215,143)	(942,893)	(31,742)	(1,189,778)	--	--	--	--	(1,189,778)
Net premiums	727,848	5,545,831	883,753	7,157,432	--	--	--	--	7,157,432
Movement in unexpired risk reserve	(20,840)	(1,238,503)	(110,916)	(1,370,259)	--	--	--	--	(1,370,259)
Net earned premiums	707,008	4,307,328	772,837	5,787,173	--	--	--	--	5,787,173
Gross claims paid	(568,029)	(2,107,102)	(790,141)	(3,465,272)	--	--	--	--	(3,465,272)
Reinsurance recoveries	235,564	728,288	236,141	1,199,993	--	--	--	--	1,199,993
Movement in outstanding claims	(108,344)	(1,440,688)	(57,198)	(1,606,230)	--	--	--	--	(1,606,230)
Net commission	(126,007)	(793,462)	(79,818)	(999,317)	--	--	--	--	(999,317)
Other insurance income (Unallocated)	--	--	--	9,396	--	--	--	--	9,396
Net underwriting result	140,192	694,361	81,791	925,743					925,743
Investment income and other income				--	--	--	715,467	--	715,467
Rental income				--	45,506	--	–	--	45,506
Advisory fee income				--	--	123,063	--	--	123,063
Total Income				925,743	45,506	123,063	715,467	--	1,809,779
Operating and administrative expenses				--	(6,464)	(77,726)	--	(646,931)	(731,121)
Depreciation				--	(12,795)	(156)	--	(16,278)	(29,229)
Profit before share of results from equity accounted investments				925,743	26,247	45,181	715,467	(663,209)	1,049,429
Share of profit from equity accounted investments				--	--	--	--	14,560	14,560
Segment results				925,743	26,247	45,181	715,467	(648,649)	1,063,989

20. OPERATING SEGMENTS (CONTINUED)

a) Segment information (continued)

Segment income statement for the year ended December 31, 2014

	Marine & Aviation (QR '000)	Property & Casualty (QR '000)	Health & Life (QR '000)	Total Insurance (QR '000)	Real Estate (QR '000)	Advisory (QR '000)	Investments (QR'000)	Un-allocated (expenses) / Income (QR '000)	Total (QR '000)
Gross premiums	925,375	3,987,795	700,597	5,613,767	--	--	--	--	5,613,767
Premiums ceded to reinsurers	(267,954)	(981,538)	(24,342)	(1,273,834)	--	--	--	--	(1,273,834)
Net premiums	657,421	3,006,257	676,255	4,339,933	--	--	--	--	4,339,933
Movement in unexpired risk reserve	(48,525)	(574,238)	(38,826)	(661,589)	--	--	--	--	(661,589)
Net earned premiums	608,896	2,432,019	637,429	3,678,344	--	--	--	--	3,678,344
Gross claims paid	(461,422)	(2,016,716)	(642,761)	(3,123,899)	--	--	--	--	(3,123,899)
Reinsurance recoveries	161,779	972,754	188,687	1,323,220	--	--	--	--	1,323,220
Movement in outstanding claims	(29,060)	(524,296)	(52,645)	(606,001)	--	--	--	--	(606,001)
Net commission	(132,529)	(427,615)	(59,949)	(620,093)	--	--	--	--	(620,093)
Other insurance income (Unallocated)	--	--	--	12,277					12,277
Net underwriting result	144,664	436,146	70,761	663,848	--	--	--	--	663,848
Investment income and other income				--	--	--	848,877	--	848,877
Rental income				--	49,847	--	--	--	49,847
Advisory fee income				--	--	116,100	--	--	116,100
Total income				663,848	49,847	116,100	848,877	--	1,678,672
Operating and administrative expenses				--	(5,648)	(61,192)	-	(571,762)	(638,602)
Depreciation				--	(12,795)	(37)	-	(14,492)	(27,324)
Profit before share of results from equity accounted investments				663,848	31,404	54,871	848,877	(586,254)	1,012,746
Share of profit from equity accounted investments				--	-	-	-	12,664	12,664
Segment results				663,848	31,404	54,871	848,877	(573,590)	1,025,410

20. OPERATING SEGMENTS (CONTINUED)

Segment statement of financial position
Assets and liabilities of the Group are commonly used across the primary segments.

b) Geographic Information

The Group operates in two geographic markets; the domestic market in Qatar and the international markets. The following table shows the distribution of the Group's total assets and liabilities by geographical segment:

Insurance business segment income statement for the year

	Qatar 2015 (QR '000)	International 2015 (QR '000)	Total 2015 (QR '000)	Qatar 2014 (QR '000)	International 2014 (QR '000)	Total 2014 (QR '000)
Gross premium	2,266,679	6,080,531	8,347,210	1,355,613	4,258,154	5,613,767
Reinsurers' share of gross premiums	(889,794)	(299,984)	(1,189,778)	(586,525)	(687,309)	(1,273,834)
Net premiums	1,376,885	5,780,547	7,157,432	769,088	3,570,845	4,339,933
Change in unexpired risk reserve	(203,312)	(1,166,947)	(1,370,259)	(42,185)	(619,404)	(661,589)
Net earned premiums	1,173,573	4,613,600	5,787,173	726,903	2,951,441	3,678,344
Gross claims paid	(970,536)	(2,494,736)	(3,465,272)	(940,546)	(2,183,353)	(3,123,899)
Reinsurance recoveries	310,592	889,401	1,199,993	501,164	822,056	1,323,220
Movement in outstanding claims	(109,768)	(1,496,462)	(1,606,230)	(39,553)	(566,448)	(606,001)
Net commission	(18,232)	(981,085)	(999,317)	(17,780)	(602,313)	(620,093)
Other insurance income	728	8,668	9,396	1,163	11,114	12,277
Net underwriting results	386,357	539,386	925,743	231,351	432,497	663,848

Segment assets, liabilities and equity as at yearend

	Assets		Liabilities & Equity	
	2015 (QR '000)	2014 (QR '000)	2015 (QR '000)	2014 (QR '000)
Qatar	9,300,746	7,251,159	11,849,537	8,735,131
International	14,807,244	8,846,121	12,258,453	7,362,149
	24,107,990	16,097,280	24,107,990	16,097,280

21. INVESTMENT INCOME

	2015 (QR '000)	2014 (QR '000)
Gain on sale of investments (i)	**434,235**	540,852
Interest income	**261,028**	189,489
Dividends	**120,563**	110,411
Unrealised loss on investments	**(73)**	(54,929)
Others	**41,234**	63,712
Less: Impairment losses	**(144,891)**	(3,280)
	712,096	846,255

(i) The profit on sale of investments includes QR 338,980 thousand (USD 93,126 thousand) which represents the gain on sale of the economic rights of CATCO Investment Management Limited ("CATCo"). On September 9, 2015, CATCO entered into an Asset Sale agreement with Markel CATCo Investment Management Limited and the transaction was completed on December 5, 2015.

22. OPERATING AND ADMINISTRATIVE EXPENSES

	2015 (QR '000)	2014 (QR '000)
Employee related costs	**362,800**	306,624
Other operating expenses	**345,821**	309,478
Board of director's remuneration	**22,500**	22,500
	731,121	638,602

23. BASIC AND DILUTED EARNINGS PER SHARE

The basic and diluted earnings per share are the same as there are no dilutive effects on earnings.

	2015 (QR '000)	2014 (QR '000)
Profit attributable to owners of the parent	**1,043,636**	1,001,833
Weighted average number of ordinary shares	**181,455**	181,455
Basic and diluted earnings per share (QR) (2014: restated)	**5.75**	5.52

The Group has restated the calculations of the comparative earnings per share as a result of the effect of bonus issue of 15% (3 for every 20 shares) during the year 2015. The bonus issue were approved on the Annual General Meeting held on February 17, 2015.

24. DIVIDEND AND BONUS SHARES

	2015	2014
Final cash dividend (QAR '000)	461,553	401,351
Average number of ordinary shares (in thousand)	184,521	160,540
Cash dividend per share (QR)	2.50	2.50

The Board of Directors proposed a final cash dividend distribution of QR 2.5 per share (2014: Dividend of QR 2.50 per share) and bonus share of 10% (1 share for every 10 shares) (2014: 3 share for every 15 shares).). In addition, the board has proposed to increase capital through a rights issue of 20% to existing shareholders (1 share for every 5 shares) at the nominal price of QR10 per share, plus a premium of QR 40 per share. The proposed financial cash dividend amounting to QR 461,553 thousand (2014: QR 401,351 thousand), the proposed bonus issue and the proposed rights issue will be placed for approval at the Annual General Meeting.

25. CONTINGENT LIABILITIES AND COMMITMENTS

	2015 (QR '000)	2014 (QR '000)
Bank guarantees	1,467,507	940,746
Authorized future investment commitments	71,538	66,847
	1,539,045	1,007,593

Operating leases

Future minimum lease rentals payables under non-cancellable operating leases as at the year-end are as follows:

	2015 (QR '000)	2014 (QR '000)
Within one year	6,372	6,619
After one year but not more than five years	24,957	26,477
More than 5 years	--	6,068
	31,329	39,164

26. DERIVATIVE FINANCIAL INSTRUMENTS

In the ordinary course of business, the Group enters into various types of transactions that involve derivative financial instruments. A derivative financial instrument is a financial contract between two parties where payments are dependent upon movements in price in one or more underlying financial instrument, reference rate or index. Derivative financial instruments include FX options and exchange traded options.

The table below shows the notional amounts analysed by the term to maturity. The notional amount is the amount of a derivative's underlying asset, reference rate or index and is the basis upon which changes in the value of derivatives are measured. The notional amounts indicate the volume of transactions outstanding at yearend and are neither indicative of the market risk nor credit risk.

26. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

December 31, 2015	**Notional amount**	**Fair value**	**Within 3 months**	**3 to 12 months**
	(QR '000)	**(QR '000)**	**(QR '000)**	**(QR '000)**
Exchange-traded options:				
Equity put options sold	--	--	--	--
FX options:				
FX put options sold	--	--	--	--
FX put options bought	--	--	--	--
FX call options sold	--	--	--	--

December 31, 2014	Notional amount	Fair Value	Within 3 months	3 to 12 months
	(QR '000)	(QR '000)	(QR '000)	(QR '000)
Exchange-traded options:				
Equity put options sold	795	239	239	556
FX options:				
FX put options sold	29,803	88	29,803	--
FX put options bought	--	--	--	--
FX call options sold	20,703	202	20,703	--

Various option strategies are employed for hedging, risk management and income enhancement. All calls sold are on assets held by the Group.

27. DETERMINATION OF FAIR VALUE AND FAIR VALUES HIERARCHY OF INVESTMENTS

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy. The different levels have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices)
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs)

	Level 1	**Level 2**	**Level 3**	**Total**
	(QR '000)	**(QR '000)**	**(QR '000)**	**(QR '000)**
December 31, 2015				
Held for trading	--	**2,868,502**	--	**2,868,502**

Available for sale	**4,071,956**	--	--	**4,071,956**
	4,071,956	**2,868,502**	--	**6,940,458**

27. DETERMINATION OF FAIR VALUE AND FAIR VALUES HIERARCHY OF INVESTMENTS (CONTINUED)

	Level 1	Level 2	Level 3	Total
	(QR '000)	(QR '000)	(QR '000)	(QR '000)
December 31, 2014				
Held for trading	99,194	1,429,728	--	1,528,922
Available for sale	4,518,107	--	--	4,518,107
	4,617,301	1,429,728	--	6,047,029

28. RELATED PARTIES

a) Transactions with related parties

These represent transactions with related parties, i.e. Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions and also, directors of the Group and companies of which they are key management personnel. Pricing policies and terms of these transactions are approved by the Group's management and are negotiated under normal commercial terms. Significant transactions were:

	2015	2014
	(QR '000)	(QR '000)
Premiums	**26,469**	22,017
Claims	**13,712**	13,602
Purchase of services	**36**	8,415

	2015	2014
	(QR '000)	(QR '000)
b) Due from related parties	**4,442**	4,312
c) Due to related parties	**6,018**	1,943
d) Compensation of key management personnel		
Salaries and other short term benefits	49,649	37,776
End of service benefits	**1,345**	1,450

Outstanding related party balances at reporting date are unsecured and interest free, and no bad debt expense against these related party balances has been incurred by the Group during the year (2014: Nil).

29. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Group in the normal course of its business derives its revenue mainly from assuming and managing insurance and investments. Through a robust governance structure, risks and returns are evaluated to produce sustainable revenues to reduce earnings volatility and increase shareholders' return. The Group's lines of business are mainly exposed to the following risks;

- Insurance risk,
- Credit risk,
- Liquidity risk,
- Market risk, and
- Operational risks

a) Governance framework
The primary objective of the Group's risk and financial management framework is to protect the Group's shareholders from events that hinder the sustainable achievement of the set financial performance objectives. Key management recognises the critical importance of having efficient and effective risk management systems in place.

The Group has established a risk management function with clear terms of reference from the board of directors, its committees and the associated executive management committees. This is supplemented with a clear organisational structure with documented delegated authorities and responsibilities from the board of directors to executive management committees and senior managers. A group risk management policy framework which sets out the risk profiles for the Group, risk management, control and business conduct standards for the Group's operations has been put in place.

b) Capital management framework
The Group has an internal risk management framework for identifying risks to which each of its business units and the Group as a whole is exposed, quantifying their impact on economic capital. The internal framework estimates indicate how much capital is needed to mitigate the risk of insolvency to a selected remote level of risk applied to a number of tests (both financial and non-financial) on the capital position of the business.

c) Regulatory framework
Regulators are primarily interested in protecting the rights of the policyholders and monitor them closely to ensure that the Group is satisfactorily managing affairs for their benefit. At the same time, the regulators are also interested in ensuring that the Group maintains an appropriate solvency position to meet unforeseen liabilities arising from economic shocks or natural disasters.

The operations of the Group are also subject to regulatory requirements within the jurisdictions where it operates. Such regulations not only prescribe approval and monitoring of activities, but also impose certain restrictive provisions (e.g. capital adequacy) to minimise the risk of default and insolvency on the part of the insurance companies to meet unforeseen liabilities as these arise.

d) Asset liability management (ALM) framework
Financial risks arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements. The main risk that the Group faces due to the nature of its investments and liabilities is interest rate risk. The Group manages these positions within an ALM framework that has been developed to achieve long-term investment returns in excess of its obligations under insurance and investment contracts.

29. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

d) Asset liability management (ALM) framework (continued)

The Group's ALM is also integrated with the management of the financial risks associated with the Group's other financial assets and liabilities not directly associated with insurance and investment liabilities.

The Group's ALM also forms an integral part of the insurance risk management policy, to ensure in each period sufficient cash flow is available to meet liabilities arising from insurance and investment contracts.

e) Insurance risk

The principal risk the Group faces under insurance contracts is that the actual claims and benefit payments or the timing thereof, differ from expectations. This is influenced by the frequency of claims, severity of claims, actual compensation paid and subsequent development of long-term claims. Therefore the objective of the Group is to ensure that sufficient reserves are available to cover these liabilities.

The Group manages the insurance risk through the careful selection and implementation of its underwriting strategy and guidelines together with the adequate reinsurance arrangements and proactive claims handling.

The Group principally issues general insurance contracts which constitutes mainly marine & aviation, property & casualty and health & life.

The concentration of insurance risk exposure is mitigated by careful selection and implementation of the underwriting strategy of the Group, which attempts to ensure that the risks underwritten are well diversified across a large portfolio in terms of type, level of insured benefits, amount of risk, industry and geography. Underwriting limits are in place to enforce risk selection criteria.

The Group, in the normal course of business, in order to minimise financial exposure arising from large claims, enters into contracts with other parties for reinsurance purposes. Such reinsurance arrangements provide for greater diversification of business, allow management to control exposure to potential losses arising from large risks, and provide additional capacity for growth. A significant portion of the reinsurance is affected under treaty, facultative and excess-of-loss reinsurance contracts. Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision and are in accordance with the reinsurance contracts.

Although the Group has reinsurance arrangements, it is not relieved of its direct obligations to its policyholders and thus a credit exposure exists with respect to ceded insurance, to the extent that any reinsurer is unable to meet its obligations assumed under such reinsurance agreements. The Group's placement of reinsurance is diversified such that it is neither dependent on a single reinsurer nor are the operations of the Group substantially dependent upon any single reinsurance contract.

The Group has in place strict claim review policies to assess all new and ongoing claims, regular detailed review of claims handling procedures and frequent investigation of possible fraudulent claims to reduce the risk exposure of the Group. The Group further enforces a policy of actively managing and prompt pursuing of claims, in order to reduce its exposure to unpredictable future developments that can negatively impact the Group.

29. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

e) Insurance risk (continued)

Key assumptions
The principal assumption underlying the liability estimates is that the Group's future claims development will follow a similar pattern to past claims development experience. This includes assumptions in respect of average claim costs, claim handling costs, claim inflation factors and claim numbers for each accident year. Additional qualitative judgments are used to assess the extent to which past trends may not apply in the future, for example one-off occurrence, changes in market factors such as public attitude to claiming, economic conditions, as well as internal factors such as portfolio mix, policy conditions and claims handling procedures. Judgment is further used to assess the extent to which external factors such as judicial decisions and government legislation affect the estimates.

Other key circumstances affecting the reliability of assumptions include variation in interest rates, delays in settlement and changes in foreign currency rates.

Sensitivities
The general insurance claims provisions are sensitive to the key assumptions mentioned above. It has not been possible to quantify the sensitivity of certain assumptions such as legislative changes or uncertainty in the estimation process.

The analysis below is performed for possible movements in key assumptions with all other assumptions held constant, showing the impact on gross and net liabilities, net profit and equity.

	Change in assumptions	Impact on liabilities (QR '000)	Impact on net profit (QR '000)	Impact on equity (QR '000)
December 31, 2015				
Incurred claim cost	+10%	387,151	(387,151)	--
Incurred claim cost	-10%	(387,151)	387,151	--
December 31, 2014				
Incurred claim cost	+10%	240,668	(240,668)	--
Incurred claim cost	-10%	(240,668)	240,668	--

Claims Development Table
The Group maintains strong reserves in respect of its insurance business in order to protect against adverse future claims experience and developments. The following tables show the estimates of cumulative incurred claims, including both claims notified and IBNR for each successive accident year at each reporting date, together with cumulative payments to date. The top half of each table below illustrates how the Group's estimate of total claims outstanding for each accident year has changed at successive year-ends. The bottom half of the table reconciles the cumulative claims to the amount appearing in the Consolidated Statement of Financial Position.

29. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

e) Insurance risk (continued)

Claims Development Table (continued)

With the exception of the proportional and non-proportional reinsurance business, an accident-year basis is considered to be most appropriate for the business written by the Group. Given the nature of reinsurance claims and the difficulties in identifying an accident year for each reported claim, these claims are reported separately and aggregated by reporting year (reporting year basis) – that is, with reference to the year in which the Group was notified of the claims. This presentation is different from the basis used for the claims development tables for the other insurance claims and entities of the Group, where the reference is to the actual date of the event that caused the claim (accident-year basis).

Claims Development Table

Accident year	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**Total**
At end of accident year	1,175,422	1,531,092	1,321,602	1,857,989	2,344,870	4,910,537	
One year later	1,119,096	1,614,995	1,280,832	1,769,895	2,291,121	--	
Two years later	1,097,290	1,551,521	1,332,465	1,784,905	--	--	
Three years later	1,123,258	1,582,764	1,350,087	--	--	--	
Four years later	1,116,257	1,564,051	--	--	--	--	
Five years later	1,036,359	--	--	--	--	--	
Current estimate of cumulative claims incurred	**1,036,359**	**1,564,051**	**1,350,087**	**1,784,905**	**2,291,121**	**4,910,537**	**12,937,060**
Cumulative payments to date	(970,443)	(1,424,133)	(1,157,873)	(1,361,586)	(1,473,745)	(1,252,491)	(7,640,271)
Net outstanding claims provision	**65,916**	**139,918**	**192,214**	**423,319**	**817,376**	**3,658,046**	**5,296,789**
Reserve in respect of prior years (Before 2010)	--	--	--	--	--	--	141,460
Total net outstanding claims provision	--	--	--	--	--	--	**5,438,249**
Current estimate of surplus/(deficiency)	139,063	(32,959)	(28,485)	73,084	53,749		
% Surplus/ (deficiency) of initial gross reserve	12%	-2%	-2%	4%	2%		

29. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

f) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss to the other party by failing to discharge an obligation. The following policies and procedures are in place to mitigate the Group's exposure to credit risk.

A credit risk policy setting out the assessment and determination of what constitutes credit risk for the Group has been established and the following policies and procedures are in place to mitigate the Group's exposure to credit risk:

- Compliance with the receivable management policy is monitored and exposures and breaches are regularly reviewed for pertinence and for changes in the risk environment.

- For all classes of financial assets held by the Group, other than those relating to reinsurance contracts, the maximum credit risk exposure to the Group is the carrying value as disclosed in the consolidated financial statements at the reporting date.

- Reinsurance is placed with reinsurers approved by the management. To minimise its exposure to significant losses from reinsurer insolvencies, the Group evaluates the financial condition of its reinsurers and monitors concentrations of credit risk arising from similar geographic regions, activities or economic characteristics of the reinsurers.

At each reporting date, management performs an assessment of creditworthiness of reinsurers and updates the reinsurance purchase strategy, ascertaining suitable allowance for impairment.

Credit exposure is limited to the carrying values of the financial assets as at the reporting date.

Credit exposure by credit rating

The table below provides information regarding the credit risk exposure of the Group by classifying assets according to the Group's credit ratings of counterparties.

December 31, 2015	**Neither past due nor impaired**	**Past due but not impaired**	**Past due and impaired**	**Total**
	(QR '000)	**(QR '000)**	**(QR '000)**	**(QR '000)**
Non-derivative financial assets				
Available-for-sale financial assets				
-Debt securities	**1,752,095**	--	--	**1,752,095**
Insurance receivables	**4,286,799**	**90,148**	**38,494**	**4,415,441**
Reinsurance contract assets	**2,924,451**	--	--	**2,924,451**
Cash and cash equivalents	**3,518,760**	--	--	**3,518,760**
	12,482,105	**90,148**	**38,494**	**12,610,747**

29. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

f) Credit risk (continued)

December 31, 2014	Neither past due nor impaired	Past due but not impaired	Past due and impaired	Total
	(QR '000)	(QR '000)	(QR '000)	(QR'000)
Non- derivative financial assets				
Available-for-sale financial assets				
-Debt securities	1,964,620	--	--	1,964,620
Insurance receivables	1,873,889	212,692	30,991	2,117,572
Reinsurance contract assets	1,829,515	--	--	1,829,515
Cash and cash equivalents	2,646,907	--	--	2,646,907
Total	8,314,931	212,692	30,991	8,558,614

Age analysis of financial assets

December 31, 2015

	<30 days	**31 to 60 days**	**61 to 90 days**	**91 to 120 days**	**Above 121days**	**Total**
	(QR '000)	**(QR '000)**	**(QR '000)**	**(QR'000)**	**(QR '000)**	**(QR'000)**
Cash and cash equivalents	**1,370,520**	**952,954**	**839,738**	**128,084**	**227,464**	**3,518,760**
Insurance and other receivables	**2,042,656**	**1,243,912**	**893,086**	**147,614**	**128,642**	**4,455,910**
	3,413,176	**2,196,866**	**1,732,824**	**275,698**	**356,106**	**7,974,670**

December 31, 2014

	<30 days	31 to 60 days	61 to 90 days	91 to 120 days	Above 121days	Total
	(QR 000)	(QR '000)	(QR '000)	(QR'000)	(QR '000)	(QR'000)
Cash and cash equivalents	1,166,304	1,025,503	366,288	--	88,812	2,646,907
Insurance and other receivables	872,203	178,193	752,166	115,529	243,685	2,161,776
	2,038,507	1,203,696	1,118,454	115,529	332,497	4,808,683

29. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

f) Credit risk (continued)

Impaired financial assets
At December 31, 2015, there are impaired reinsurance assets of QR 24,938 thousand (2014: QR 21,417 thousands), impaired insurance and other receivables of QR 13,566 thousand (2014: QR 9,574 thousand).

The Group records all impairment allowances in separate impairment allowances accounts. The movement in the allowances for impairment losses for the year are as follows:

	Impairment on insurance and reinsurance receivables	
	2015	2014
	(QR '000)	(QR '000)
At January 1,	30,991	24,935
Charged during the year	7,503	6,056
Total	38,494	30,991

g) Liquidity risk
Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities.

Liquidity requirements are monitored regularly on a daily/weekly/monthly basis and management ensures that sufficient funds are available to meet any commitments as they arise.

Maturity profiles
The table below summarises the maturity profile of the financial assets and financial liabilities of the Group based on remaining undiscounted contractual obligations, including interest payable and receivable. For insurance contracts liabilities and reinsurance assets, maturity profiles are determined based on estimated timing of net cash outflows from the recognised insurance liabilities. Unearned premiums and the reinsurers' share of unearned premiums have been excluded from the analysis as they are not contractual obligations.

December 31, 2015

	Up to a year	1-5 years	Over 5 years	Total
	(QR '000)	(QR '000)	(QR '000)	(QR'000)
Financial assets				
Non-derivative financial assets				
Held for trading investments	2,868,502	--	--	2,868,502
Available-for-sale financial assets				
Equity securities	2,793,783	--	--	2,793,783
Debt securities	104,363	974,690	673,042	1,752,095
Insurance receivables, net	4,376,947	--	--	4,376,947
Reinsurance contract assets	2,924,451	--	--	2,924,451
Cash and cash equivalents	3,518,760	--	--	3,518,760
	16,586,806	974,690	673,042	18,234,538

29. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

g) Liquidity risk (continued)

	Up to a year	1-5 years	Over 5 years	Total
	(QR '000)	**(QR '000)**	**(QR '000)**	**(QR 000)**
Financial liabilities				
Non-derivative financial liabilities				
Trade and other payables	**650,744**	--	--	**650,744**
Insurance contract liabilities	**8,362,700**	--	--	**8,362,700**
Insurance payables	**1,059,569**	--	--	**1,059,569**
Short term borrowings	**364,000**	--	--	**364,000**
	10,437,013	--	--	**10,437,013**

December 31, 2014	Up to a year	1-5 years	Over 5 years	Total
	(QR '000)	(QR '000)	(QR '000)	(QR 000)
Financial assets				
Non-derivative financial assets				
Held for trading Investments	1,528,922	--	--	1,528,922
Available-for-sale financial assets				
-Equity securities	2,974,540	--	--	2,974,540
-Debt securities	79,188	1,086,330	799,102	1,964,620
Insurance receivables, net	2,086,581	--	--	2,086,581
Reinsurance contract assets	1,829,515	--	--	1,829,515
Cash and cash equivalents	2,646,907	--	--	2,646,907
	11,145,653	1,086,330	799,102	13,031,085

	Up to a year	1-5 years	Over 5 years	Total
	(QR '000)	(QR '000)	(QR '000)	(QR 000)
Financial liabilities				
Non-derivative financial liabilities				
Trade and other payables	632,390	--	--	632,390
Insurance contract liabilities	4,686,701	--	--	4,686,701
Insurance payables	641,508	--	--	641,508
Short term borrowings	182,000	--	--	182,000
	6,142,599	--	--	6,142,599

29. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

h) Market risk

Market risk is the risk that the fair value of or income from a financial instrument will fluctuate as a result of changes in market prices (such as exchange rates, interest rates and equity prices) , whether those changes are caused by factors specific to the individual security, or its issuer, or factors affecting all securities traded in the market. The Group limits market risk by maintaining a diversified portfolio and by continuous monitoring of developments in international and local equity and bond markets. In addition, the Group actively monitors the key factors that affect stock and bond market movements, including analysis of the operational and financial performance of investees.

i) Currency risk

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Group uses various off balance sheet financial instruments, including forward foreign exchange contracts and option, to manage certain foreign currency investment exposures and for trading.

The table below summarises the Group's exposure to foreign currency exchange rate risk at the reporting date by categorising assets and liabilities and major currencies.

December 31, 2015

	USD (QR '000)	EURO (QR '000)	GBP (QR '000)	Others (QR '000)	Total (QR '000)
Cash and cash equivalents	492,341	29,887	205,392	2,791,140	3,518,760
Insurance and other receivables	1,712,782	112,144	584,403	4,207,868	6,617,197
Investments	4,744,291	6,799	54,030	2,609,260	7,414,380
TOTAL ASSETS	6,949,414	148,830	843,825	9,608,268	17,550,337
Short term borrowings	364,000	--	--	--	364,000
Provisions, reinsurance and other payables	1,013,072	47,078	438,456	1,005,064	2,503,670
TOTAL LIABILITIES	1,377,072	47,078	438,456	1,005,064	2,867,670

December 31, 2014

	USD (QR '000)	EURO (QR '000)	GBP (QR '000)	Others (QR '000)	Total (QR '000)
Cash and cash equivalents	502,073	23,776	73,670	2,047,388	2,646,907
Insurance and other receivables	1,124,824	109,391	117,500	1,468,313	2,820,028
Investments	1,986,862	92,821	224,160	4,164,239	6,468,082
TOTAL ASSETS	3,613,759	225,988	415,330	7,679,940	11,935,017
Short term borrowings	182,000	--	--	--	182,000
Provisions, reinsurance and other payables	73,415	5,310	1,997	1,580,037	1,660,759
TOTAL LIABILITIES	255,415	5,310	1,997	1,580,037	1,842,759

29. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

h) Market risk (continued)

i) Currency risk (continued)

The Group has no significant concentration of currency risk.

The analysis below is performed for reasonably possible movements in key variables with all other variables held constant, showing the impact on the consolidated statements of income and changes in equity due to changes in the fair value of currency sensitive monetary assets and liabilities including insurance contract liabilities.

		December 31, 2015		December 31, 2014	
	Changes in variables	Impact on profit or loss	Impact on equity	Impact on profit or loss	Impact on equity
		(QR '000)	(QR '000)	(QR '000)	(QR '000)
Currency					
Euro	+10%	3,540	8	18,536	5,750
GBP	+10%	20,128	--	19,597	679
Total		23,668	8	38,133	6,429
Euro	-10%	(3,540)	(8)	(18,536)	(5,750)
GBP	-10%	(20,128)	--	(19,597)	(679)
Total		(23,668)	(8)	(38,133)	(6,429)

The method used for deriving sensitivity information and significant variables did not change from the previous period.

ii) Interest rate risk

Interest rate risk is the risk that the value of future cash flows from a financial instrument will fluctuate because of changes in market interest rates.

The Group invests in securities and has deposits that are subject to interest rate risk. Interest rate risk to the Group is the risk of changes in market interest rates reducing the overall return on its interest bearing securities.

The Group's interest risk policy requires managing interest rate risk by maintaining an appropriate mix of fixed and variable rate instruments. The policy also requires it to manage the maturities of interest bearing financial assets and interest bearing financial liabilities.

The Group limits interest rate risk by monitoring changes in interest rates in the currencies in which its cash and investments are denominated and has no significant concentration of interest rate risk.

29. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

h) Market risk (continued)

ii) Interest rate risk (continued)
The analysis below is performed for reasonably possible movements in key variables with all other variables held constant, showing the impact on profit or loss and equity.

Currency	Changes in variables	December 31, 2015 Impact on profit or loss	December 31, 2015 Impact on equity	December 31, 2014 Impact on profit or loss	December 31, 2014 Impact on equity
		(QR '000)	(QR '000)	(QR '000)	(QR '000)
Qatari Riyals	+50 basis points	2,347	80,831	1,779	(68,237)
Qatari Riyals	-50 basis points	(2,347)	(80,831)	(1,779)	68,237

The Group's interest rate risk based on contractual arrangements is as follows:

December 31, 2015

	Up to 1 year	1 to 5 years	Over 5 years	Total	Effective interest rate (%)
	(QR '000)	(QR '000)	(QR '000)	(QR '000)	
Cash and Cash equivalents	3,518,760	--	--	3,518,760	1.34%
Investments	104,363	974,690	673,042	1,752,095	4.41%
	3,623,123	974,690	673,042	5,270,855	

December 31, 2014

	Up to 1 year	1 to 5 years	Over 5 years	Total	Effective interest rate (%)
	(QR '000)	(QR '000)	(QR '000)	(QR '000)	
Cash and Cash equivalents	2,646,907	--	--	2,646,907	1.18%
Investments	79,188	1,086,330	799,102	1,964,620	3.83%
	2,726,095	1,086,330	799,102	4,611,527	

29. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

h) Market risk (continued)

iii) Price risk
Price risk is the risk that the fair value of or income from a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The Group's equity price risk exposure relates to financial assets and financial liabilities whose values will fluctuate as a result of changes in market prices, principally investment securities not held for the account of unit-linked business. The Group's price risk policy requires it to manage such risks by setting and monitoring objectives and constraints on investments, diversification plans, limits on investments in each country, sector and market and careful and planned use of derivative financial instruments. The Group has no significant concentration of price risk.

The analysis below is performed for reasonably possible movements in key variables with all other variables held constant, showing the impact on profit or loss and equity.

		December 31, 2015		December 31, 2014	
	Changes in variables	Impact on profit or loss	Impact on equity	Impact on profit or loss	Impact on equity
		(QR '000)	(QR '000)	(QR '000)	(QR '000)
Qatar Market	+10%	--	188,771	--	189,811
International Markets	+10%	32,121	42,587	152,892	65,538
Qatar Market	-10%	--	(188,771)	--	(189,811)
International Markets	-10%	(32,121)	(42,587)	(152,892)	(65,538)

The method used for deriving sensitivity information and significant variables did not change from the previous period.

i) Operational risks
Operational risk is the risk of loss arising from system failure, human error, fraud or external events. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications or can lead to financial loss. The Group cannot expect to eliminate all operational risks, but by initiating a rigorous control framework and by monitoring and responding to potential risks, the Group is able to manage the risks. The Group has detailed systems and procedures manuals with effective segregation of duties, access controls, authorisation and reconciliation procedures, staff training and assessment processes etc. with an effective compliance and internal audit framework. Business risks such as changes in environment, technology and the industry are monitored through the Group's strategic planning and budgeting process.

29. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

j) Capital management

Externally imposed capital requirements are set and regulated by the Qatar Commercial Companies' Law and Qatar Exchange to ensure sufficient solvency margins. Further objectives are set by the Group to maintain a strong credit rating and healthy capital ratios in order to support its business objectives and maximise shareholders value.

The Group manages its capital requirements by assessing shortfalls between reported and required capital levels on a regular basis. The Group fully complied with the externally imposed capital requirements during the reported financial year and no changes were made to its capital base, objectives, policies and processes from the previous year.

k) Classification and fair values

The following table compares the fair values of the financial instruments to their carrying values:

	December 31, 2015		December 31, 2014	
	Carrying amount	Fair value	Carrying amount	Fair value
	(QR '000)	(QR '000)	(QR '000)	(QR '000)
Cash and cash equivalents	3,518,760	3,518,760	2,646,907	2,646,907
Loans and receivables:				
Insurance receivables	4,376,947	4,376,947	2,086,581	2,086,581
Reinsurance contract assets	2,924,451	2,924,451	1,829,515	1,829,515
Investments held for trading	2,868,502	2,868,502	1,528,922	1,528,922
Available -for-sale Investments	4,545,878	4,545,878	4,939,160	4,939,160
	18,234,538	18,234,538	13,031,085	13,031,085
Short term borrowings	364,000	364,000	182,000	182,000
Insurance and other payables	2,503,670	2,503,670	1,660,759	1660,759
Insurance contract liabilities	8,362,700	8,362,700	4,686,701	4,686,701
	11,230,370	11,230,370	6,529,460	6,529,460

30. CRITICAL JUDGEMENTS IN APPLYING THE GROUP'S ACCOUNTING POLICIES

In the process of preparing these consolidated financial statements, Management has made use of a number of judgments relating to the application of accounting policies which are described in Note 3 (d). Those which have the most significant effect on the reported amounts of assets, liabilities, income and expense are listed below (apart from those involving estimations which are dealt within Note 31).

These judgments are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Management believes that the following discussion addresses the accounting policies that require judgments.

Classification of investments
Quoted securities are classified either held for trading or as available for sale. The Group invests substantially in quoted securities either locally or overseas and management has primarily decided to account for them for their potential long term growth rather than the short term profit basis. Consequently, such investments are recognized as available for sale rather than at fair value through profit or loss.

Financial assets are classified as fair value through profit or loss where the assets are either held for trading or designated as at fair value through profit or loss. The Group invests in mutual and managed funds for trading purpose.

Impairment of financial assets
The Group determines whether available for sale equity financial assets are impaired when there has been a significant or prolonged decline in their fair value below cost. This determination of what is significant or prolonged requires considerable judgment by the management. In making this judgment and to identify whether impairment has occurred, the Group evaluates among other factors, the normal volatility in share price, the financial health of the investee, industry and sector performance, changes in technology and operational and financial cash flows.

Impairment of goodwill
The Group carries out impairment testing annually in respect of the goodwill relating to the acquired subsidiaries. In carrying out the impairment analysis, the Group makes the following estimates which are critical:

Growth rate
Management uses the projected cash flows over a 5 year horizon. The growth rate used in determining the projected cash flows is estimated by taking in account the nature of the industry and the general economic growth relevant to the subsidiary in question and the Group

Discount rate
The Management discounts the eash flows using its weighted average cost of capital which takes into account the debt-equity structure of the Group, an estimated cost of equity based on the capital asset pricing model and an estimated long term cost of debt.

The Management performs sensitivity analysis on the above and key assumptions in ascertaining its impact on the recoverable amount and impairment to the carrying value of goodwill in the consolidated financial statements. Material changes in the above assumptions may impact the recoverable amounts and may lead to an impairment to goodwill.

31. KEY SOURCES OF ESTIMATES UNCERTAINTY

The key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year , are discussed below;

Claims made under insurance contracts
Claims and loss adjustment expenses are charged to the consolidated statement of income as incurred based on the estimated liability for compensation owed to contract holders or third parties damaged by the contract holders. Liabilities for unpaid claims are estimated using the input of assessments for individual cases reported to the Group and management estimations for the claims incurred but not reported. The method for making such estimates and for establishing the resulting liability is continually reviewed. Any difference between actual claims and the provisions made are included in the consolidated statement of income in the year of settlement. As of December 31, 2015, the net estimate for unpaid claims amounted to QR 5,438,249 thousand (2014: QR 2,857,186 thousand).

Impairment of Insurance and other receivables
An estimate of the collectible amount of insurance and other receivables is made when collection of the full amount is no longer probable. This determination of whether these insurance and other receivables are impaired, entails the Group evaluating the credit and liquidity position of the policy holders and the insurance companies, historical recovery rates including detailed investigations carried out during 2014 and feedback received from their legal department. The difference between the estimated collectible amount discounted to present value if applicable and the book amount is recognized as an expense in the consolidated statement of income. Any difference between amounts actually collected in the future periods and the amounts expected will be recognized in the consolidated statement of income at the time of collection. As of December 31, 2015, the insurance receivable and reinsurance receivables amounted to QR 1,036,777 thousand (2014: 962,800 thousand) and QR 3,378,664 thousands (2014: QR 1,154,772 thousand) respectively and the provision for impairment on insurance receivable and reinsurance receivable amounted to QR 13,556 thousand (2014: QR 9,574 thousand) and QR 24,938 thousand (2014: QR 21,417 thousand) respectively.

Liability Adequacy Test
At each reporting date, liability adequacy tests are performed to ensure the adequacy of insurance contract liabilities. The Group makes use of the best estimates of future contractual cash flows and claims handling and administration expenses, as well as investment income from the assets backing such liabilities in evaluating the adequacy of the liability. Any deficiency is immediately charged to the consolidated statement of income.

32. PARENTAL GUARANTEE

The Parent Company has provided unconditional parental guarantee to its subsidiary companies - QIC International L.L.C., Qatar Reinsurance Company L.L.C. (Qatar – Re), Q - Life & Medical Insurance Company L.L.C. , Kuwait Qatar Insurance Company and QIC Europe Ltd, Malta for the purpose of obtaining financial rating from international rating agencies.

33. GROUP RESTRUCTURING

During the year, the Group has restructured its holding structure by making QIC Capital LLC to hold certain subsidiaries in international jurisdiction. Any share transfer or assignment performed between the Group entities are considered as 'common control' transactions.

33. GROUP RESTRUCTURING (CONTINUED)

Accordingly, there is no goodwill or gain or loss on bargain purchase recognized during this year in these consolidated financial statements. Few rearrangements that resulted in the percentage of ownership held by non-controlling interest are also directly recognized in equity.

34. COMPARATIVE FIGURES

Certain Comparative figures for the previous year have been reclassified, where necessary, in order to conform to the current year's presentation. Such reclassification do not affect the previously reported financial performance, net assets or equity.

QATAR INSURANCE COMPANY S.A.Q.

CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT FOR THE YEAR ENDED DECEMBER 31, 2014

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INDEPENDENT AUDITOR'S REPORT

The Shareholders
Qatar Insurance Company S.A.Q.
Doha, Qatar

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of Qatar Insurance Company S.A.Q. (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at December 31, 2014 and the related consolidated statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards and the applicable provisions of Qatar Commercial Companies Law, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Group's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group as at December 31, 2014 and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Other legal and regulatory requirements

We are also of the opinion that proper books of account were maintained by the Company. We have obtained all the information and explanations which we considered necessary for the purpose of our audit. To the best of our knowledge and belief and according to the information given to us, no contraventions of the Qatar Commercial Companies Law No. 5 of 2002 or the Articles of Association were committed during the year which would materially affect the Group's activities or its financial position.

Doha – Qatar
January 27, 2015

For Deloitte & Touche
Qatar Branch

Muhammad Bahemia
Partner
License No. 103

QATAR INSURANCE COMPANY S.A.Q.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at December 31, 2014

	Notes	2014	2013
		(QR '000)	(QR '000)
ASSETS			
Cash and cash equivalents	6	**2,646,907**	3,351,905
Insurance and other receivables	7	**2,820,028**	1,164,615
Reinsurance contract assets	8	**3,251,457**	2,151,318
Equity accounted investments	9	**77,065**	81,611
Investments	10	**6,468,082**	4,462,270
Investment properties	11	**375,070**	387,197
Property and equipment	12	**38,665**	33,592
Intangible assets	13	**274,895**	--
Goodwill	5	**145,111**	--
TOTAL ASSETS		**16,097,280**	11,632,508
LIABILITIES			
Short term borrowings	14	**182,000**	746,200
Provisions, reinsurance and other payables	15	**1,660,759**	910,005
Insurance contract liabilities	8	**8,331,014**	4,594,615
TOTAL LIABILITIES		**10,173,773**	6,250,820
EQUITY			
Share capital	16	**1,605,404**	1,284,323
Legal reserve	17	**1,408,179**	1,304,293
General reserve	18	**287,000**	287,000
Fair value reserve	19	**601,000**	750,868
Catastrophe special reserve	20	**227,251**	189,606
Retained earnings		**1,575,949**	1,371,364
Equity attributable to owners of the Company		**5,704,783**	5,187,454
Non-controlling interests		**218,724**	194,234
TOTAL EQUITY		**5,923,507**	5,381,688
TOTAL LIABILITIES AND EQUITY		**16,097,280**	11,632,508

These consolidated financial statements were approved by the Board of Directors and signed on its behalf by the following signatories on January 27, 2015.

QIC

H.E. Sheikh Khalid Bin Mohammed Bin Ali Al-Thani	Khalifa Abdulla Turki Al-Subaey
Chairman and Managing Director	***Group President and Chief Executive Officer***

THE ATTACHED NOTES ARE AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS

QATAR INSURANCE COMPANY S.A.Q.

CONSOLIDATED STATEMENT OF INCOME
For the year ended December 31, 2014

	Notes	2014 (QR '000)	2013 (QR '000)
Gross premiums	21 (a)	**5,613,767**	3,531,707
Premiums ceded to reinsurers	21 (a)	**(1,273,834)**	(1,060,824)
Net premiums		**4,339,933**	2,470,883
Movement in unexpired risk reserve	21 (a)	**(661,589)**	(496,798)
Net earned premiums		**3,678,344**	1,974,085
Gross claims paid	21 (a)	**(3,123,899)**	(1,826,224)
Reinsurance recoveries	21 (a)	**1,323,220**	801,749
Movement in outstanding claims	21 (a)	**(606,001)**	(255,791)
Net commission expense	21 (a)	**(620,093)**	(211,301)
Other insurance income	21 (a)	**12,277**	2,231
Net underwriting result		**663,848**	484,749
Investment income	22	**846,255**	582,355
Advisory fee income		**116,100**	75,992
Rental income		**49,847**	47,113
Other income		**2,622**	723
Total income		**1,678,672**	1,190,932
Operating and administrative expenses	23	**(638,602)**	(400,383)
Depreciation and amortisation		**(27,324)**	(23,400)
Profit before share of results from equity accounted investments		**1,012,746**	767,149
Share of profit from equity accounted investments		**12,664**	11,208
Profit for the year		**1,025,410**	778,357
Attributable to:			
Owners of the Company		**1,001,833**	752,935
Non-controlling interests		**23,577**	25,422
		1,025,410	778,357
Earnings per share			
Basic and diluted earnings per share in Qatari Riyals (2013: Restated as a result of bonus)	24	**6.24**	4.69
Cash dividend per share in Qatari Riyals	25	**2.50**	2.50

THE ATTACHED NOTES ARE AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended December 31, 2014

	2014 (QR '000)	2013 (QR '000)
Profit for the year	**1,025,410**	778,357
Other comprehensive income		
Net changes in fair value of available-for-sale financial assets	**(153,255)**	85,370
Total comprehensive income for the year	**872,155**	863,727
Total comprehensive income attributable to:		
Owners of the Company	**851,207**	840,307
Non-controlling interests	**20,948**	23,420
Total comprehensive income for the year	**872,155**	863,727

THE ATTACHED NOTES ARE AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS

QATAR INSURANCE COMPANY S.A.Q.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended December 31, 2014

	Share capital	Legal reserve	General reserve	Fair value reserve	Catastrophe special reserve	Retained earnings	Attributable to owners of the parent	Non-controlling interests	Total equity
	(QR '000)	(QR '000)	(QR '000)	(QR '000)	(QR '000)	(QR '000)	(QR '000)	(QR '000)	(QR '000)
Balance as at January 1, 2013	891,891	464,360	287,000	663,496	159,090	1,154,517	3,620,354	172,259	3,792,613
Profit for the year	--	--	--	--	--	752,935	752,935	25,422	778,357
Net unrealized gain / (loss) on available for sale investments	--	--	--	87,372	--	--	87,372	(2,002)	85,370
Total comprehensive income for the year	--	--	--	87,372	--	752,935	840,307	23,420	863,727
Dividend for the year 2012	--	--	--	--	--	(222,973)	(222,973)	(9,880)	(232,853)
Issuance of bonus shares	178,378	--	--	--	--	(178,378)	--	--	--
Issuance of right shares	214,054	748,560	--	--	--	--	962,614	--	962,614
Transfer to legal reserve	--	91,373	--	--	--	(91,373)	--	--	--
Increase in non-controlling interest	--	--	--	--	--	--	--	8,435	8,435
Contribution to social and sports fund	--	--	--	--	--	(12,848)	(12,848)	--	(12,848)
Transfer to catastrophe special reserve	--	--	--	--	30,516	(30,516)	--	--	--
Balance as at December 31, 2013	**1,284,323**	**1,304,293**	**287,000**	**750,868**	**189,606**	**1,371,364**	**5,187,454**	**194,234**	**5,381,688**
Total profit for the year	--	--	--	--	--	1,001,833	1,001,833	23,577	1,025,410
Net unrealized loss on available for sale investments	--	--	--	(150,626)	--	--	(150,626)	(2,629)	(153,255)
Total comprehensive income for the year	--	--	--	(150,626)	--	1,001,833	851,207	20,948	872,155
Dividend for the year 2013						(321,081)	(321,081)	(6,186)	(327,267)
Issuance of bonus shares	321,081	--	--	--	--	(321,081)	--	--	--
Transfer to legal reserve	--	103,205	--	--	--	(103,205)	--	--	--
Share option reserve adjustment at a subsidiary	--	--	--	--	--	3,660	3,660	--	3,660
Increase in non-controlling interest	--	--	--	--	--	--	--	8,093	8,093
Contribution to social and sports fund	--	--	--	--	--	(14,822)	(14,822)	--	(14,822)
Transfer to catastrophe special reserve	--	--	--	--	37,645	(37,645)	--	--	--
Effect of acquisition/sale of stake in a subsidiary by minority	--	681	--	758	--	(3,074)	(1,635)	1,635	--
Balance as at December 31, 2014	**1,605,404**	**1,408,179**	**287,000**	**601,000**	**227,251**	**1,575,949**	**5,704,783**	**218,724**	**5,923,507**

THE ATTACHED NOTES ARE AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended December 31, 2014

	Note	2014 (QR '000)	2013 (QR '000)
OPERATING ACTIVITIES			
Profit for the year		**1,025,410**	778,357
Adjustments for :			
Depreciation of property and equipment and investment properties		**25,878**	23,400
Amortization of intangible assets		**1,446**	--
Impairment loss on investments		**3,280**	745
Share of profit from equity accounted investments		**(12,664)**	(11,208)
Investment income and other finance income		**(896,102)**	(691,695)
Impairment loss on doubtful receivables		**6,056**	6,253
Provision for employees' end of service benefits		**12,002**	9,205
Net foreign exchange gain on property and equipment		**256**	--
Gain on sale of investment property		--	(14,771)
Net unrealised gain on investments		--	(13,765)
Operating profit before working capital changes		**165,562**	86,521
Working capital changes			
Change in insurance and other receivables		**(914,502)**	(467,473)
Change in insurance reserves – net		**1,268,851**	752,589
Change in provisions, re-insurance and other payables		**236,826**	83,133
Cash generated from operations		**756,737**	454,770
Payment of social and sports fund contribution		--	(10,313)
Employees' end of service benefits paid		**(1,296)**	(2,569)
Net cash generated from operating activities		**755,441**	441,888
INVESTING ACTIVITIES			
Net cash movements in investments		**(460,252)**	(1,430,777)
Purchase of property and equipment		**(14,725)**	(16,533)
Purchase of investment properties		**(668)**	(1,332)
Net cash outflow on acquisition of a subsidiary		**(1,015,188)**	--
Disposal proceeds of equity accounted investments		**7,500**	--
Dividend received from equity accounted investment		**9,710**	--
Interest income and other finance income		**896,102**	691,695
Proceeds from sale of property and equipment		--	4,376
Proceeds from sale of investment properties		--	54,597
Net cash used in investing activities		**(577,521)**	(697,974)

THE ATTACHED NOTES ARE AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended December 31, 2014

	Note	2014 (QR '000)	2013 (QR '000)
FINANCING ACTIVITIES			
Dividends paid to non-controlling interests		**(6,186)**	(9,880)
Increase in non-controlling interest		**8,093**	8,435
Increase in share capital through rights issue		--	962,614
Short term borrowings		**(564,200)**	746,200
Dividends paid		**(320,625)**	(223,254)
Net cash (used in)/ generated from financing activities		**(882,918)**	1,484,115
Net (decrease)/increase in cash and cash equivalents		**(704,998)**	1,228,029
Cash and cash equivalents at the beginning of the year		**3,351,905**	2,123,876
Cash and cash equivalents at the end of the year	**6**	**2,646,907**	3,351,905

1. STATUS AND OPERATIONS

Qatar Insurance Company S.A.Q. (the "Parent Company") is a public shareholding company incorporated in the State of Qatar in 1964 under Commercial Registration No. 20 and governed by the provisions of the Qatar Commercial Companies' Law. The Parent Company and its subsidiaries (the "Group") are engaged in the business of insurance, reinsurance, real estate and financial advisory services.

The Group operates in the State of Qatar, United Arab Emirates, Sultanate of Oman, State of Kuwait, United Kingdom, Switzerland, Bermuda and Malta. The consolidated financial statements incorporate the financial information of the Parent Company and its subsidiaries all of which having December 31st as financial year end. The details of subsidiaries are given below:

Name of the subsidiary	Ownership	Country of incorporation	Principal activities
QIC International L.L.C. ("QICI")	84.60%	State of Qatar	Primarily engaged in insurance and reinsurance QICI manages the international operations of the Group and has 2 overseas branches in Dubai and Abu Dhabi (United Arab Emirates)
Oman Qatar Insurance Company ("OQIC")	70% (owned through QICI)	Sultanate of Oman	Primarily engaged in insurance and reinsurance
Kuwait Qatar Insurance Company ("KQIC")	82.04% (owned through QICI)	State of Kuwait	Primarily engaged in insurance and reinsurance
Qatar Reinsurance Company L.L.C. (Previously known as Q-Re LLC)	55.38% (2013: 55.64%) directly and 40% (2013: 39.74%) owned through QICI	State of Qatar	Primarily engaged in reinsurance. Qatar-Re manages the reinsurance operations of the Group and has a branch office in Switzerland, Bermuda and a representative office in United Kingdom
Q Life & Medical Insurance Co LLC	85%	State of Qatar	Primarily engaged in life and medical insurance business
Antares Holdings Limited (AHL)	100%	Bermuda	Incorporated as a holding company for participation in Antares Syndicate 1274
Antares Reinsurance Limited (ARL)	100% (owned through AHL)	Bermuda	Incorporated as a Class 3 reinsurer for participation in Antares Syndicate 1274
Antares Underwriting Limited	100% (owned through ARL)	United Kingdom	Incorporated to provide capital supporting the underwriting capacity of Antares Syndicate 1274
Antares Managing Agency Limited (AMAL)	100% (owned through ARL)	United Kingdom	Incorporated to act as a managing agent for Antares Syndicate 1274
Antares Capital I Limited	100% (owned through ARL)	United Kingdom	Incorporated to provide capital supporting the underwriting capacity of Antares Syndicate 1274
Antares Capital III Limited	100% (owned through ARL)	United Kingdom	Incorporated to provide capital supporting the underwriting capacity of Antares Syndicate 1274
Antares Capital IV Limited	100% (owned through ARL)	United Kingdom	Incorporated to provide capital supporting the underwriting capacity of Antares Syndicate 1274

1. STATUS AND OPERATIONS (CONTINUED)

Name of the subsidiary	Ownership	Country of incorporation	Principal activities
QIC Europe Limited	100%	Malta	Primarily engaged in insurance business
QANIT Ltd.	100% (owned through QICI)	UAE	Primarily engaged in Real Estate activities in the UAE
Qatar Insurance Company Real Estate S.P.C.	100%	State of Qatar	Primarily engaged in Real Estate activities in the State of Qatar
Qatar Economic Advisors S.P.C. (QEA)	100%	State of Qatar	Primarily engaged in financial and other advisory services
Qatar Insurance Group S.P.C	100%	State of Qatar	Primarily engaged in the management of QIC Group entities.
CATCo Investment Management Ltd.	100%	Bermuda	Primarily engaged in providing investment management services.
CATCo-Re Ltd.	100%	Bermuda	Primarily engaged in issuance of fully collateralized reinsurance contracts for CATCo Re Fund.
Epicure Managers Qatar Ltd.	100%	BVI	Primarily engaged in providing investment management services
QIC International	84.6%	State of Qatar	The subsidiary is incorporated under the Ministry of Trade and Business regime and is inoperative at the moment
QIC Capital L.L.C.	100%	State of Qatar	Incorporated as a holding company to hold equity interest in asset management initiatives of the Group
LCP Holdings Ltd.	51% owned through QIC Capital L.L.C.	Cayman Islands	Primarily engaged in financial and other advisory services
Taleem Advisory Ltd.	100% (2013: 51%) owned through QEA	Cayman Islands	Primarily engaged in financial and other advisory service.
QIC Asset Management Ltd	100% owned through QEA.	Cayman Islands	Primarily engaged in financial and other advisory services
Education Company 2 Ltd	100% owned through QEA.	Cayman Islands	Primarily engaged in financial and other advisory services
Lagoon Capital Partners Ltd	100% owned through LCP Holdings Ltd.	UAE	Primarily engaged in financial and other advisory services
Qatar Re Capital Ltd	100% owned through QIC Capital L.L.C.	United Kingdom	Primarily engaged in financial and other advisory services

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs)

In the current financial year, the Group has adopted certain new and revised standards and interpretations, which are mainly:

IFRS 10, 12, IAS 27(Revised)	Certain amendments to introduce an exception from the requirement to consolidate subsidiaries for an investment entity.
IAS 36	Certain amendments arising from recoverable amount disclosures for non-financial assets

The revised standards issued by IASB and IFRIC interpretations which are effective from the accounting period commencing January 1, 2014, had no significant effect on the consolidated financial statements of the Group for the year ended December 31, 2014.

The following IASB Standards and IFRIC interpretations issued but, are not mandatory for the year ended December 31, 2014, have not yet been adopted by the Group:

- IFRS 9 - "Financial Instruments" was issued to replace IAS 39 – "Financial Instruments: Recognition and Measurement". IFRS 9 simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortized cost and fair value. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. IFRS 9 Financial Instruments will be applicable for annual periods beginning on or after January 1, 2018;

- Certain consequential amendments to IFRS 7 "Financial Instrument disclosures" and IAS 39 (Revised) due to application of IFRS 9, detailed above.

The Group is currently in the process of evaluating the potential effect of these amendments in the presentation of the consolidated financial statements.

A number of new standards, amendments to standards and interpretations that are not yet effective for the year ended December 31, 2014 have not been applied in preparing these consolidated financial statements. The Group does not expect the proposed amendments which will become mandatory for the consolidated financial statements for the year 2015 or thereafter, to have a significant impact on the consolidated financial statements.

3. BASIS OF PREPARATION

a) Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and the applicable requirements of the Qatar Commercial Companies Law No. 5 of 2002.

b) Basis of preparation

The accompanying consolidated financial statements have been prepared under the historical cost convention, except for certain financial instruments that are measured at fair value at the end of each reporting period .

Financial assets and financial liabilities are offset and the net amount reported in these consolidated statement of financial position only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liability simultaneously. Income and expense are not offset in the consolidated statement of income unless required or permitted by any accounting standard or interpretation, as specifically disclosed in the accounting policies of the Group.

c) Functional and presentation currency

These consolidated financial statements are presented in Qatari Riyal (QR) and rounded to the nearest thousand (QR '000), unless otherwise indicated.

d) Significant accounting judgements and estimates

The Group makes judgements, estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, expenses and disclosure of contingent liabilities at the reporting date. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimates are revised and in any future years affected. The key judgements and estimates made by the Group is detailed in Note 31.

4. SIGNIFICANT ACCOUNTING POLICIES

a) Consolidation, translation and financial instruments

i) Basis of consolidation

Subsidiaries

The consolidated financial statements incorporate the financial statements of the Parent Company and entities controlled by the Parent Company directly or indirectly as at December 31st of each year.

Subsidiaries are all entities over which the Group has control. Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date when such control ceases. The financial statements of the subsidiary companies are prepared for the same reporting period as the Parent Company, using consistent accounting policies.

Control is achieved when the Parent Company directly or indirectly (i) has power over the investee, (ii) has exposure or rights to variable returns from its involvement with the investee and (iii) has the ability to use its power to effect those returns.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

a) Consolidation, translation and financial instruments (Continued)

ii) Basis of consolidation (Continued)

The Parent Company reassesses whether or not it controls an investee and facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Parent Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Parent Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

All significant intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Parent Company.

Non-controlling interests represent the portion of profit or loss and net assets not held by the Group and are presented separately in the consolidated statement of income and within equity in the consolidated statement of financial position, separately from parent shareholders' equity.

When the Group ceases to control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in the consolidated statement of income. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to the consolidated statement of income.

Investments in associates and jointly controlled entities
Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

Joint ventures are joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments in associates and jointly controlled entities are accounted for using the equity method.

Under the equity method, the investment is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognize the Group's share of profit or loss and other comprehensive income of the associate or joint venture. When the Group's share of losses exceeds its interest in an equity-accounted investee, the carrying amount of that interest, including any long-term investments, is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

The consolidated financial statements include the Group's share of profit or loss and other comprehensive income, after adjustments to align the accounting policies with those of the Group, from the date that significant influence or joint control commences until the date that significant influence or joint control ceases. The financial year–end of the associate entities and the Group is uniform.

Business combination

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognized in consolidated statement of income as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognized at their fair value.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held in equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed as at date of acquisition. If the net of the acquisition date amounts of identifiable asset acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree (if any), the excess is recognized immediately in the consolidated statement of income as a bargain purchase gain.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment at least annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in the consolidated statement of income. An impairment loss recognised for goodwill is not reversed in subsequent periods

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Intangible assets

Intangible assets acquired in a business combination and recognized separately from goodwill are initially recognized at cost which is their fair value as at the date of acquisition. Subsequent to initial recognition,

- Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the consolidated statement of income.

- Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash generating unit level. Such intangibles are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is made on prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the consolidated statement of income when the asset is derecognised.

The current policy applied to the Group's intangible assets is as follows:

Intangible assets acquired	*Economic Life*
Syndicate Capacity	Indefinite
Runoff services – Württembergische Versicherung AG	7 years

iii) Foreign currency

Foreign operations
The individual financial statements of the Group entities are presented in the currency of the primary economic environment in which they operate (functional currency). For the purpose of these consolidated financial statements, the results and financial position of each subsidiary are expressed in the functional currency of the Parent Company.

The assets and liabilities of foreign operations are translated to Qatari Riyal using exchange rates prevailing at the reporting date. Income and expenses are also translated to Qatari Riyal at the exchange rates prevailing at the reporting date, which do not significantly vary from the average exchange rates for the year. Foreign currency translation reserve is not shown separately under equity due to insignificance of the amount.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences are recognized in other comprehensive income.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Foreign currency transactions
Foreign currency transactions are recorded in the respective functional currencies of Group entities at the rates of exchange prevailing at the date of each transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the respective functional currencies at the rate of exchange prevailing at the year end. The resultant exchange differences are included in the consolidated statement of income.

iv) Financial instruments
Financial instruments represent the Group's financial assets and liabilities. Financial assets include cash and cash equivalents, insurance and other receivables and investments. Financial liabilities include short term borrowings and other payables.

Financial asset or liability is initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in the consolidated statement of income.

Recognition
The Group initially recognizes cash and cash equivalents, insurance and other receivables, short term borrowings and other payables at the date that they originate. All other financial assets and liabilities are initially recognized at the trade date or settlement date when the Group becomes a party to the contractual provisions of the instrument.

De-recognition
The Group derecognizes a financial asset when the contractual rights to receive cash flows from that asset expire or it transfers the right to receive the contractual cash flow of that asset in a transaction in which substantially all the risks and rewards of ownership of the financial assets are transferred. Any interest in the transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability. The Group derecognizes a financial liability when its contractual obligations are discharged or cancelled or expired.

Measurement
The measurement of financial assets and liabilities is disclosed under accounting policy for respective financial assets and liabilities.

Fair values of financial instruments
Fair value is the amount for which an asset could be exchanged or a liability settled between knowledgeable willing parties on an arm's length transaction at the measurement date. Differences can therefore arise between the book values under the historical cost method and fair value estimates.

Underlying the definition of fair value is a presumption that an enterprise is a going concern without any intention or need to liquidate, curtail materially the scale of its operations or undertake a transaction on adverse terms.

Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognized in the profit or loss as they arise.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair values of financial instruments (continued)
Fair values of marketable investments are determined by reference to their bid prices at the close of business at the reporting date. In respect of unquoted available for sale financial assets, the fair value is determined based on various valuation techniques, as deemed appropriate. The fair values of the Group's other financial assets and financial liabilities are not materially different from their carrying values.

Impairment of financial asset
At each reporting date, the Group assesses whether there is objective evidence that any financial asset is impaired. Financial assets are impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset, and that the loss event has an impact on the future cash flows of the asset that can be estimated reliably.

Objective evidence that financial assets are impaired can include default or delinquency by a customer or insurer or reinsurer, indications that the customer or insurer or reinsurer will enter bankruptcy or the disappearance of an active market for a security. In addition for an investment in equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment. Impairment loss on assets are recognised in the consolidated statement of income and reflected as an allowance against receivables or investments.

b) Insurance operations

i) Insurance and other receivables
Insurance and other receivables are recognised when due and measured on initial recognition at the fair value of the consideration received or receivable. The carrying value of the receivables is reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable, with the impairment loss recorded in the consolidated statement of income. After initial measurement, insurance and other receivables are measured at amortised cost as deemed appropriate.

Insurance receivables are derecognised when the derecognition criteria for financial assets, as described in note 4 (iii), have been met.

ii) Reinsurance contract assets
The Group cedes insurance risk in the normal course of business as part of its businesses model. Reinsurance assets represent balances recoverable from reinsurance companies. Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision or settled claims associated with the reinsurers' policies and are in accordance with the related reinsurance contract.

iii) Reinsurance and other payables
Reinsurance and other payables are recognized when due and measured on initial recognition at the fair value of the consideration received less directly attributable transaction costs. Subsequently, reinsurance and other payables are measured at amortised cost, as deemed appropriate.

iv) Gross premiums
Gross premiums are recognized when written and include an estimate for written premiums receivable at period end. Gross premiums comprise the total premiums receivable for the whole period of cover provided by contracts entered into during the accounting period. Gross premiums also include any adjustments arising in the accounting period for premiums receivable in respect of business written in prior accounting periods. Premium on insurance contracts are recognized as revenue (earned premiums) proportionally over the period of coverage. The portion of premium received on in-force contracts that relates to unexpired risks at the reporting date is reported as unearned premium reserve.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

v) Premiums ceded to reinsurers

Reinsurance premiums comprise the total premiums payable for the reinsurance cover provided by contracts entered into during the period and are recognized on the date on which the policy incepts. Reinsurance premiums also include any adjustments arising in the accounting period in respect of reinsurance contracts incepting in prior accounting periods. Unearned reinsurance premiums are those proportions of premiums written in a year that relate to periods of risk after the reporting date.

vi) Insurance contract liabilities

Insurance contract liabilities include the outstanding claims provision and the provision for unearned premium Insurance contract liabilities are recognised when contracts are entered into and premiums are charged.

Provision for outstanding claims

Provision for outstanding claims is recognized at the date the claims are known and covers the liability for loss and loss adjustment expenses based on loss reports from independent loss adjusters and management's best estimate.

Claims provision also includes liability for claims incurred but not reported as at the reporting date. The liability is calculated at the reporting date using a range of historic trends, empirical data and standard actuarial claim projection techniques. The current assumptions may include a margin for adverse deviations. The liability is not discounted for the time value of money.

Unexpired risks reserve

The provision for unearned premiums represents that portion of premiums received or receivable, after deduction of the reinsurance share, which relates to risks that have not yet expired at the reporting date. The provision is recognised when contracts are entered into and premiums are charged, and is brought to account as premium income over the term of the contract in accordance with the pattern of insurance service provided under the contract.

Insurance contract liabilities are derecognised when the contract expires, discharged or cancelled by any party to the insurance contract.

vii) Gross claims paid

Gross claims paid include all claims paid during the year and the related external claims handling costs that are directly related to the processing and settlement of claims.

viii) Commission earned and paid

Commissions earned and paid are recognized at the time the policies are underwritten or deferred and amortised over the same period over which the corresponding premiums are recognised in accordance with the pattern of insurance service provided under the contract.

ix) Investment activities

The Group classifies its investments into financial assets at fair value through profit or loss and available for sale financial assets. The classification depends on the purpose for which the investments were acquired or originated.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

i) Non-derivative financial instruments

All investments are initially recognised at cost, being the fair value of the consideration given including acquisition charges associated with the investment.

Financial assets at fair value through profit or loss (Held for trading)

Financial assets at fair value through profit or loss include financial assets held for trading and those designated upon initial recognition at fair value through profit or loss. Investments typically bought with the intention to sell in the near future are classified as held for trading. These investments are carried at fair value (marked to market) with any gain or loss arising from the change in fair value included in the profit or loss in the year in which it arises.

Available for sale – Quoted

Subsequent to initial recognition, investments which are classified "available for sale - quoted" are re-measured at fair value. The unrealised gains and losses on re-measurement to fair value are recognized in other comprehensive income and accumulated under the heading of fair value reserve until the investment is sold, collected or otherwise disposed of, or the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in the consolidated statement of income for the year.

Available for sale – Unquoted shares and private equity

The fair value of these investments cannot be reliably measured due to the nature of their cash flows, these investments are therefore carried at cost less any provision for impairment.

ii) Derivative financial instruments

Derivatives are initially recognized at cost, being fair value of the consideration given or received on the date of acquisition and are subsequently remeasured at their fair value.

The fair value of a derivative is the equivalent of the unrealised gain or loss from marking to market the derivative using prevailing market rates or internal pricing models.

The resultant gains and losses on derivatives held for trading purposes are included in the consolidated statement of income.

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recognised in profit or loss immediately, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk

iii) Fair value reserve

This represents the unrealised gain or loss of the year-end fair valuation of available for sale investments. In the event of a sale or impairment, the cumulative gains or losses recognised under the investments fair value reserve are included in the consolidated statement of income for the year.

iv) Investment income

Interest income

Interest income is recognised in the income statement as it accrues and is calculated by using the effective interest rate method, except for short-term receivables when the effect of discounting is immaterial.

Dividend income

Dividend income is recognised when the right to receive the dividends is established or when received.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

v) Advisory fee income

Initial and other front-end fees received for rendering financial and other advisory services are deferred and recognised as revenue when the related services are rendered.

vi) Rental income

Rental income from investment properties is recognised in consolidated statement of income on a straight line basis over the term of operating lease and the advances and unearned portion of the rental income is recognised as a liability.

d) General

i) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less in the consolidated statement of financial position. The cash equivalents are readily convertible to cash.

ii) Short term borrowings

Short term borrowings are recognised initially at fair value, net of transaction costs incurred and it is subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the consolidated statement of income over the period of the borrowings using the effective interest method.

iii) Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation. Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are carried at historical cost less accumulated depreciation and accumulated impairment losses.

Investment properties are derecognised when either they have been disposed-off or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in the consolidated statement of income in the year of retirement or disposal.

iv) Property and equipment

Property and equipment, including owner-occupied properties, are carried at historical cost less accumulated depreciation and accumulated impairment losses. Subsequent expenditure is capitalised only when it is probable that future economic benefits associated with the expenditure will flow to the Group. Ongoing repairs and maintenance are charged to the consolidated statement of income during the financial period they are incurred.

The assets' residual values, useful lives and method of depreciation applied are reviewed and adjusted, if appropriate, at each financial year end and adjusted prospectively, if appropriate. Impairment reviews are performed when there are indicators that the carrying value may not be recoverable. Impairment losses are recognised in the consolidated statement of income as an expense.

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognised in the consolidated statement of income in the year the asset is derecognised.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

v) Depreciation

Depreciation is provided on a straight line basis on all property and equipment and investment properties, other than freehold land which is determined to have an indefinite life. The rates of depreciation are based upon the following estimated useful lives:

Buildings	-	15 to 20 years
Furniture & fixtures	-	2 to 5 years
Motor vehicles	-	3 years

Depreciation methods, useful lives and residual values are reviewed and adjusted if appropriate at each financial year end.

vi) Impairment of non-financial assets

An assessment is made at each reporting date to determine whether there is objective evidence that an asset or group of assets is impaired. If such evidence exists, the estimated recoverable amount of that asset is determined and an impairment loss is recognized for the difference between the recoverable amount and the carrying amount. Impairment losses are recognized in the consolidated statement of income.

The following assets have specific characteristics for impairment testing:

Goodwill

Goodwill is tested for impairment annually and when circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of the cash generating unit (CGU) to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

Intangible assets

Intangible assets with indefinite useful lives are tested for impairment annually at the cash generating unit level, as appropriate, and when circumstances indicate that the carrying value may be impaired.

vii) Provisions

The Group recognizes provisions in the consolidated financial statements when the Group has a legal or constructive obligation (as a result of a past event) that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. The provision is created by charging the consolidated statement of income for any obligations as per the calculated value of these obligations and the expectation of their realisation at the reporting date.

viii) Employees' end of service benefits

Provision is made for amounts payable in respect of employees' end of service benefits based on contractual obligations or respective local labour laws of the group entities, whichever is higher, and is calculated using the employee's salary and period of service at the reporting date.

ix) Contribution to social and sports fund

Pursuant to the Qatar Law No. 13 of 2008 and the related clarifications issued in 2012, which is applicable to all Qatari listed shareholding companies with publicly traded shares, the Group has made an appropriation of 2.5% of its adjusted net profit to a state social fund.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

x) Share capital

The Group has issued ordinary shares that are classified as equity instruments. Incremental external costs that are directly attributable to the issue of these shares are recognised in equity.

xi) Dividend distribution

Dividend distribution to the Parent Company's shareholders is recognised as a liability in the Parent Company's consolidated financial statements in the period in which the dividends are approved by the Parent Company's shareholders.

xii) Earnings per share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Parent Company by the weighted number of ordinary shares outstanding during the year. Diluted EPS is calculated by adjusting the earnings and number of shares for the effects of all dilutive potential shares.

xiii) Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the management to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

5. BUSINESS COMBINATION

Acquisition of Antares Holdings Limited and its subsidiary companies by the Group

Effective January 1, 2014, the Group acquired 100% of the share capital of Antares Holdings Limited and its subsidiary companies. The regulatory close of the transactions was completed on 25th June 2014. Antares Holdings Limited and its subsidiaries through its participation in Antares Syndicate 1274 are providers of global insurance and reinsurance products. The Group has acquired this company as part of its strategy to expand its wider international operations and to build a significant P&C and specialty insurance footprint.

5. BUSINESS COMBINATION (CONTINUED)

The fair value of the identifiable assets and liabilities of Antares Holdings Limited and its subsidiary companies as at the date of acquisition, as per IFRS 3 were the following;

	Fair value recognized on acquisition (QR '000)
Assets	
Cash and cash equivalents	**162,976**
Insurance and other receivables	**746,967**
Reinsurance contract assets	**589,364**
Investments	**1,702,095**
Property and equipment	**3,687**
Intangible assets	**276,341**
Total assets	**3,481,430**
Liabilities	
Insurance contract liabilities	**1,956,773**
Provisions, reinsurance and other payables	**491,604**
Total liabilities	**2,448,377**
Net identifiable assets acquired	**1,033,053**

Goodwill arising on acquisition

Goodwill arising on the business combination has been computed as follows:

	As at January 1, 2014 (QR '000)
Fair value of consideration given for acquiring controlling interest	1,178,164
Fair value of business as at the date of acquisition	1,178,164
Less: Net identifiable assets acquired in accordance with IFRS 3	(1,033,053)
Goodwill arising on acquisition	**145,111**

Net cash outflow on acquisition of subsidiary

	2014 (QR '000)
Cash consideration paid in cash	1,178,164
Less: Cash and cash equivalent balances acquired	(162,976)
	1,015,188

5. BUSINESS COMBINATION (CONTINUED)

The following table summarizes the intangible assets recorded in connection with the acquisition:

	Amount (QR '000)	Economic useful Life
Lloyd's syndicate capacity	266,222	Indefinite
Runoff services - Württembergische Versicherung AG	10,119	7 years
Intangible assets as of the acquisition date	**276,341**	
Amortization expense	(1,446)	
Net Intangible assets as at December 31, 2014 (Note 13)	**274,895**	

Lloyd's Syndicate Capacity
The fair value of Lloyd's syndicate capacity and insurance licenses was estimated using the market approach. The Lloyd's capacity is renewed annually at no cost to the subsidiary or may be freely purchased or sold, subject to Lloyd's approval. The ability to write insurance business within the syndicate capacity is indefinite with the premium income limit being set annually by the Company, subject to Lloyd's approval.

Runoff services - Württembergische Versicherung AG (WV)
The fair value of Württembergische Versicherung AG (WV) management agreement represents the estimated amount of the run-off administration services in respect of the former UK Branch of WV which is provided by Antares Underwriting Services Limited ("AUSL"). The fair value of the agreement has been capitalized and amortized on a straight-line basis, over the estimated useful life of 7 years.

Transaction and Acquisition-Related Costs
Transaction costs associated with the acquisition have been expensed and are included in the operative and administrative expenses in the consolidated statement of income and are part of operating cash flows in the consolidated statement of cash flows.

From the date of acquisition, Antares Holdings Limited and its subsidiaries have contributed the equivalent of QR 1,376,750 thousand of Gross premium written and QR 83,229 thousand to the net profit of the Group.

6. CASH AND CASH EQUIVALENTS

	2014 (QR '000)	2013 (QR '000)
Cash and demand deposits	**834,131**	402,370
Time deposits maturing within 3 months	**1,812,776**	2,949,535
	2,646,907	3,351,905

Time deposits amounting to QR 122,056 thousand (2013: QR 110,067 thousand) are held by banks as security against guarantees given on behalf of the Group.

7. INSURANCE AND OTHER RECEIVABLES

	2014 (QR '000)	2013 (QR '000)
Receivables from policyholders		
Due from policy holders	**9,62,800**	380,556
Impairment losses on doubtful receivables	**(9,574)**	(7,039)
	953,226	373,517
Receivables from Reinsurers		
Due from insurance companies	**1,154,772**	628,447
Impairment losses on doubtful receivables	**(21,417)**	(17,896)
	1,133,355	610,551
Other receivables		
Staff advances against indemnity	**44,204**	39,120
Deferred acquisition cost	**434,207**	78,646
Prepayments and others	**255,036**	62,781
	733,447	180,547
	2,820,028	1,164,615

8. INSURANCE CONTRACT LIABILITIES AND REINSURANCE CONTRACT ASSETS

	2014 (QR '000)	2013 (QR '000)
Gross insurance contract liabilities		
Claims reported and unsettled	**3,219,502**	2,031,821
Claims incurred but not reported	**1,467,199**	571,233
Unearned premiums	**3,644,313**	1,991,561
	8,331,014	4,594,615
Reinsurers' share of insurance contract liabilities		
Claims reported and unsettled	**1,413,718**	1,057,036
Claims incurred but not reported	**415,797**	212,131
Unearned premiums	**1,421,942**	882,151
	3,251,457	2,151,318
Net insurance contract liabilities		
Claims reported and unsettled	**1,805,784**	974,785
Claims incurred but not reported	**1,051,402**	359,102
Unearned premiums	**2,222,371**	1,109,410
	5,079,557	2,443,297

8. INSURANCE CONTRACT LIABILITIES AND REINSURANCE CONTRACT ASSETS (CONTINUED)

Movements in insurance contract liabilities and reinsurance contract assets are as follows:

	2014			2013		
	Insurance contract liabilities	**Reinsurers' share**	**Net**	Insurance contract liabilities	Reinsurers' share	Net
	(QR '000)	**(QR '000)**	**(QR '000)**	(QR '000)	(QR '000)	(QR '000)
At January 1,	**2,603,054**	**1,269,167**	**1,333,887**	2,539,464	1,461,368	1,078,096
Claims incurred	**3,819,461**	**1,412,781**	**2,406,680**	1,889,814	609,548	1,280,266
Movement on acquisition	**1,388,085**	**470,787**	**917,298**	--	--	--
Claims paid during the year	**(3,123,899)**	**(1,323,220)**	**(1,800,679)**	(1,826,224)	(801,749)	(1,024,475)
At December 31,	**4,686,701**	**1,829,515**	**2,857,186**	2,603,054	1,269,167	1,333,887

The above movements in insurance contact liabilities reflect assets and liabilities recognized for Antares Holding Limited and its subsidiary companies on acquisition by the Group.

Movement in provision for unearned premiums during the year are as follows:

	2014			2013		
	Insurance contract liabilities	**Reinsurers' share**	**Net**	Insurance contract liabilities	Reinsurers' share	Net
	(QR '000)	**(QR '000)**	**(QR '000)**	(QR '000)	(QR '000)	(QR '000)
At January 1,	**1,991,561**	**882,151**	**1,109,410**	1,101,522	488,910	612,612
Premiums written in the year	**5,613,767**	**1,273,834**	**4,339,933**	3,531,707	1,060,824	2,470,883
Movement on acquisition	**569,949**	**118,577**	**451,372**	--	--	--
Premiums earned during the year	**(4,530,964)**	**(852,620)**	**(3,678,344)**	(2,641,668)	(667,583)	(1,974,085)
At December 31,	**3,644,313**	**1,421,942**	**2,222,371**	1,991,561	882,151	1,109,410

The above movements in provision for unearned premium liabilities reflect unearned premium reserves and relevant Reinsurers' share of Antares Holding Limited and its subsidiary companies on acquisition by the Group.

9. EQUITY ACCOUNTED INVESTMENTS

	2014 (QR '000)	2013 (QR '000)
Al Daman Islamic Insurance Company	**69,762**	64,872
Asteco Qatar L.L.C.	**1,246**	1,246
Massoun Insurance Services L.L.C.	**6,057**	15,493
Al Manhal Properties	--	--
Gulf Real Estate Managers Ltd.	--	--
Gulf Real Estate Holding GP Ltd	--	--
	77,065	81,611

Details of the equity accounted companies held during the year were as follows.

Name of associate	Place of incorporation and operation	Proportion of ownership and voting power held	Principal activities
Al Daman Islamic Insurance Company	State of Qatar	12.5% directly and 12.5% through QICI	Insurance and reinsurance
Asteco Qatar L.L.C.	State of Qatar	20% directly	Real estate brokerage and management
Massoun Insurance Services L.L.C.	State of Qatar	50% directly	Insurance marketing and distribution
Al Manhal Properties	State of Qatar	25.5 % directly	SPV for holding real estate properties for a fund
Gulf Real Estate Managers Ltd.	Cayman Islands	50 % through QIC Capital L.L.C.	SPV to invest and manage property fund and is currently dormant.
Gulf Real Estate Holding GP Ltd	Cayman Islands	50 % through QIC Capital L.L.C.	SPV to invest and manage property fund and is currently dormant.

Summarised financial information of the equity accounted companies are as follows:

	2014 (QR '000)	2013 (QR '000)
Current assets	**706,057**	671,253
Non-current assets	**3,097**	3,067
Current liability	**443,352**	377,293
Non-current liability	--	86
Results for the year	**44,973**	37,183

	2014 (QR '000)	2013 (QR '000)
Balance at January 1,	**81,611**	70,403
Capital reduction	**(7,500)**	--
Dividends	**(9,710)**	--
Share of profit for the year	**12,664**	11,208
Balance at December 31,	**77,065**	81,611

10. INVESTMENTS

The carrying amounts of investments at yearend were as follows:

	2014		2013	
	(QR '000)	(QR '000)	(QR '000)	(QR '000)
Held for trading investments				
Managed funds and Shares		1,528,922		210,912
Available-for-sale investments				
Qatari public shareholding Companies		1,898,111		1,775,205
Bonds	4,212,156		3,193,524	
Less : Margin Collaterals	(2,247,536)	1,964,620	(1,627,373)	1,566,151
International quoted shares		659,401		527,362
Unquoted shares and private equity		421,053		383,385
Total available for sale investments		4,943,185		4,252,103
Total investments		6,472,107		4,463,015
Less: Impairment loss recognised		(4,025)		(745)
Total investments		6,468,082		4,462,270

11. INVESTMENT PROPERTIES

	2014	2013
	(QR '000)	(QR '000)
Net carrying value as at January 1,	387,197	438,636
Additions during the year	668	1,332
Disposals during the year	--	(39,826)
Depreciation for the year	(12,795)	(12,945)
Net carrying value as at December 31,	375,070	387,197

	2014	2013
	(QR '000)	(QR '000)
Investment property		
At cost	465,012	464,344
Accumulated depreciation	(89,942)	(77,147)
Net carrying value as at December 31,	375,070	387,197

The investment properties were revalued by an independent valuer not connected with the Group, by reference to market evidence of recent transactions for similar properties. The estimated fair value of the above investment properties as at December 31, 2014 were QR 1,090.3 million (2013: QR 1,055.3 million).

11. INVESTMENT PROPERTIES (CONTINUED)

The rental income arising during the year amounted to QR 49,847 thousand (2013: QR 47,113 thousand) and the direct operating expenses (included within general and administrative expenses) arising in respect of such properties during the period was QR 5,648 thousand (2013: QR 5,689 thousand).

12. PROPERTY AND EQUIPMENT

	Freehold land	Building	Furniture & fixtures	Motor vehicles	Total
	(QR '000)	(QR '000)	(QR '000)	(QR '000)	(QR '000)
Cost:					
At January 1, 2013	9,709	40,352	59,546	9,717	119,324
Additions	--	--	15,065	1,468	16,533
Disposals	--	--	(6,576)	(1,021)	(7,597)
At December 31, 2013	9,709	40,352	68,035	10,164	128,260
Acquired through business combination (Note 5)	--	--	7,138	--	7,138
Additions	--	--	10,853	3,872	14,725
Effect of foreign currency exchange difference	--	--	(504)	--	(504)
Disposals	--	--	(642)	(781)	(1,423)
At December 31, 2014	**9,709**	**40,352**	**84,880**	**13,255**	**148,196**
Accumulated Depreciation:					
At January 1, 2013	--	37,454	42,316	7,664	87,434
Charge during the year	--	1,147	7,827	1,481	10,455
Disposals	--	--	(2,265)	(956)	(3,221)
At December 31, 2013	--	38,601	47,878	8,189	94,668
Acquired through business combination (Note 5)	--	--	3,451	--	3,451
Charge during the year	--	1,147	10,088	1,848	13,083
Effect of foreign currency exchange difference	--	--	(248)	--	(248)
Disposals	--	--	(642)	(781)	(1,423)
At December 31, 2014	--	**39,748**	**60,527**	**9,256**	**109,531**
Net book values:					
At December 31, 2014	**9,709**	**604**	**24,353**	**3,999**	**38,665**
At December 31, 2013	**9,709**	**1,751**	20,157	1,975	33,592

13. INTANGIBLE ASSETS

	2014 (QR '000)	2013 (QR '000)
Cost:		
Acquisition of Antares Holding Limited (Note 5)	276,341	--
At December 31,	276,341	--
Accumulated impairment:		
Amortization for the year	1,446	--
At December 31,	1,446	--
Carrying amount:		
At December 31,	274,895	--

14. SHORT TERM BORROWINGS

	2014 (QR '000)	2013 (QR '000)
Short term borrowings	182,000	746,200

15. PROVISIONS, REINSURANCE AND OTHER PAYABLES

	2014 (QR '000)	2013 (QR '000)
Trade payables	552,701	174,508
Due to reinsurance companies	641,508	424,906
Other payables:		
Accruals & Deferred income	267,774	141,238
Employees' end of service benefits (see note 15.1)	79,689	68,983
Provision for board of directors remuneration	22,500	22,500
Other liabilities	96,587	77,870
	1,660,759	910,005

15.1 EMPLOYEES' END OF SERVICE BENEFITS

	2014 (QR '000)	2013 (QR '000)
Provision at January 1,	68,983	62,347
Expenses recognised during the year	12,002	9,205
Payment made during the year	(1,296)	(2,569)
Provision at December 31,	79,689	68,983

16. SHARE CAPITAL

The authorised, issued and fully paid share capital at December 31, 2014 consists of 160,540,380 equity shares of QR 10 each (2013: 128,432,304 equity shares of QR 10 each).

17. LEGAL RESERVE

Legal reserve is computed in accordance with the provisions of the Qatar Central Bank (QCB) regulations, Qatar Commercial Companies' Law No.5 of 2002 and the company's Articles of Association at 10% of the net profit for the year. On November 23, 2014, the Extra-Ordinary General Meeting approved the amendment of paragraph (1) Article (66) of the Articles of Association of the Company. This reserve is to be maintained until it equates 100% of the paid up capital and is not available for distribution except in circumstances specified in the Qatar Central Bank (QCB) regulations/Qatar Commercial Companies Law No.5 of 2002. The legal reserve also includes the Group's share in legal reserve arising out of the subsidiary companies.

18. GENERAL RESERVE

During the year no amount has been transferred to the general reserve.

19. FAIR VALUE RESERVE

The fair value reserve arose from the revaluation of available for sale investments as per the accounting policy detailed in note 4.

20. CATASTROPHE SPECIAL RESERVE

The Group has appropriated further QR 37.65 million (2013: QR 30.52 million) from its retained earnings as a catastrophe special reserve in the consolidated statement of changes in equity. The formation of reserve was approved at the Board meeting held on January 25, 2011. This reserve will be utilised at the recommendation of the Board of Directors after approval at the Annual General Meeting when there is a catastrophe event.

21. OPERATING SEGMENTS

a) Segment information

For management purposes, the Group is organised into six business segments- Marine & Aviation insurance, Property & Casualty insurance, Health & Life insurance, Real Estate, Advisory and Investments. These segments are the basis on which the Group reports its operating segment information.

Segment income statement for the year ended December 31, 2014

	Marine & Aviation	Property & Casualty	Health & Life	Total Insurance	Real Estate	Advisory	Investments	Un-allocated (expenses) / income	Total
	(QR '000)	(QR '000)	(QR '000)	(QR '000)	(QR '000)	(QR '000)	(QR'000)	(QR '000)	(QR '000)
Gross premiums	925,375	3,987,795	700,597	5,613,767	--	--	--	--	5,613,767
Premiums ceded to reinsurers	(267,954)	(981,538)	(24,342)	(1,273,834)	--	--	--	--	(1,273,834)
Net premiums	657,421	3,006,257	676,255	4,339,933	--	--	--	--	4,339,933
Movement in unexpired risk reserve	(48,525)	(574,238)	(38,826)	(661,589)	--	--	--	--	(661,589)
Net earned premiums	608,896	2,432,019	637,429	3,678,344	--	--	--	--	3,678,344
Gross claims paid	(464,422)	(2,016,716)	(642,761)	(3,123,899)	--	--	--	--	(3,123,899)
Reinsurance recoveries	161,779	972,754	188,687	1,323,220	--	--	--	--	1,323,220
Movement in outstanding claims	(29,060)	(524,296)	(52,645)	(606,001)	--	--	--	--	(606,001)
Net commission	(132,529)	(427,615)	(59,949)	(620,093)	--	--	--	--	(620,093)
Other insurance income (Unallocated)	--	--	--	12,277					12,277
Net underwriting result	144,664	436,146	70,761	663,848	--	--	--	--	663,848
Investment income and other income				--	--	--	848,877	--	848,877
Rental income				--	49,847	--	--	--	49,847
Advisory fee income				--	--	116,100	--	--	116,100
Total income				663,848	49,847	116,100	848,877	--	1,678,672
Operating and administrative expenses				--	(5,648)	(61,192)	-	(571,762)	(638,602)
Depreciation				--	(12,795)	(37)	-	(14,492)	(27,324)
Profit before share of results from equity accounted Investments				663,848	31,404	54,871	848,877	(586,254)	1,012,746
Share of profit from equity accounted investments				--	-	-	-	12,664	12,664
Segment results				663,848	31,404	54,871	848,877	(573,590)	1,025,410

21. OPERATING SEGMENTS (CONTINUED)

Segment income statement for the year ended December 31, 2013

	Marine & Aviation (QR '000)	Property & Casualty (QR '000)	Health & Life (QR '000)	Total Insurance (QR '000)	Real Estate (QR '000)	Advisory (QR '000)	Investments (QR'000)	Un-allocated (expenses) / income (QR '000)	Total (QR '000)
Gross premiums	320,039	2,545,008	666,660	3,531,707	--	---	--	--	3,531,707
Premiums ceded to reinsurers	(149,295)	(883,786)	(27,743)	(1,060,824)	--	---	--	--	(1,060,824)
Net premiums	170,744	1,661,222	638,917	2,470,883	--	--	--	--	2,470,883
Movement in unexpired risk reserve	(22,038)	(419,028)	(55,732)	(496,798)	--	--	--	--	(496,798)
Net earned premiums	148,706	1,242,194	583,185	1,974,085	--	--	--	--	1,974,085
Gross claims paid	(241,080)	(963,474)	(621,670)	(1,826,224)	--	--	--	--	(1,826,224)
Reinsurance recoveries	138,647	480,763	182,339	801,749	--	--	--	--	801,749
Movement in outstanding claims	11,863	(247,554)	(20,100)	(255,791)	--	--	--	--	(255,791)
Net commission	(9,156)	(141,090)	(61,055)	(211,301)	--	--	--	--	(211,301)
Other insurance income (Unallocated)	--	--	--	2,231	--	--	--	--	2,231
Net underwriting result	48,980	370,839	62,699	484,749	--	--	--	--	484,749
Investment income and other income				--	--	--	583,078	--	583,078
Rental income				--	47,113	--	--	--	47,113
Advisory fee income				--	--	75,992	--	--	75,992
Total income				484,749	47,113	75,992	583,078	--	1,190,932
Operating and administrative expenses				--	(5,689)	(56,681)	--	(338,013)	(400,383)
Depreciation				--	(14,287)	(103)	--	(9,010)	(23,400)
Profit before share of results from equity accounted investments				484,749	27,137	19,208	583,078	(347,023)	767,149
Share of profit from equity accounted investments				--	--	--	--	11,208	11,208
Segment results				484,749	27,137	19,208	583,078	(335,815)	778,357

21. OPERATING SEGMENTS (CONTINUED)

Segment statement of financial position
Assets and liabilities of the Group are commonly used across the primary segments.

b) Geographic Information

The Group operates in two geographic markets; the domestic market in Qatar and the international markets. The following table shows the distribution of the Group's total assets and liabilities by geographical segment:

Insurance business segment income statement for the year

	Qatar 2014 (QR '000)	**International 2014 (QR '000)**	**Total 2014 (QR '000)**	Qatar 2013 (QR '000)	International 2013 (QR '000)	Total 2013 (QR '000)
Gross premium	**1,355,613**	**4,258,154**	**5,613,767**	1,320,214	2,211,493	3,531,707
Reinsurers' share of gross premiums	**(586,525)**	**(687,309)**	**(1,273,834)**	(794,917)	(265,907)	(1,060,824)
Net premiums	**769,088**	**3,570,845**	**4,339,933**	525,297	1,945,586	2,470,883
Change in unexpired risk reserve	**(42,185)**	**(619,404)**	**(661,589)**	(17,627)	(479,171)	(496,798)
Net earned premiums	726,903	**2,951,441**	**3,678,344**	507,670	1,466,415	1,974,085
Gross claims paid	**(940,546)**	**(2,183,353)**	**(3,123,899)**	(682,351)	(1,143,873)	(1,826,224)
Reinsurance recoveries	**501,164**	**822,056**	**1,323,220**	416,666	385,083	801,749
Movement in outstanding claims	**(39,553)**	**(566,448)**	**(606,001)**	1,816	(257,607)	(255,791)
Net commission	**(17,780)**	**(602,313)**	**(620,093)**	543	(211,844)	(211,301)
Other insurance income	**1,163**	**11,114**	**12,277**	1,001	1,230	2,231
Net underwriting results	**231,351**	**432,497**	**663,848**	245,345	239,404	484,749

Segment assets, liabilities and equity as at yearend

	Assets		**Liabilities & Equity**	
	2014 (QR '000)	2013 (QR '000)	**2014 (QR '000)**	2013 (QR '000)
Qatar	7,251,159	7,430,319	8,735,131	8,008,225
International	8,846,121	4,202,189	7,362,149	3,624,283
	16,097,280	11,632,508	**16,097,280**	11,632,508

22. INVESTMENT INCOME

	2014 (QR '000)	2013 (QR '000)
Gain on sale of investments	**540,852**	282,186
Interest income	**189,489**	145,243
Dividends	**110,411**	104,787
Unrealised (loss)/gain on investments	**(54,929)**	13,765
Others	**63,712**	37,119
Less: Impairment losses	**(3,280)**	(745)
	846,255	582,355

23. OPERATING AND ADMINISTRATIVE EXPENSES

	2014 (QR '000)	2013 (QR '000)
Employee related costs	**306,624**	203,817
Other operating expenses	**309,478**	174,066
Board of director's remuneration	**22,500**	22,500
	638,602	400,383

24. BASIC AND DILUTED EARNINGS PER SHARE

The basic and diluted earnings per share are the same as there are no dilutive effects on earnings.

	2014 (QR '000)	2013 (QR '000)
Profit attributable to owners of the parent	**1,001,833**	752,935
Weighted average number of ordinary shares	**160,540**	160,540
Basic and diluted earnings per share (QR.)	**6.24**	4.69

The Group has restated the calculations of the comparative earnings per share as a result of the effect of bonus issue of 25% (1 for every 4 shares). The bonus issue were approved on the Annual General Meeting held on February 16, 2014.

25. DIVIDEND AND BONUS SHARES

	2014	2013
Final cash dividend (QAR '000)	**401,351**	**321,081**
Average number of ordinary shares (in thousand)	**160,540**	**128,432**
Cash dividend per share (QR.)	**2.50**	**2.50**

The Board of Directors proposed a final cash dividend distribution of QR 2.50 per share (2013: Dividend of QR 2.50 per share) and bonus share of 15% (3 shares for every 20 shares) (2013: 1 share for every 4 shares). The proposed financial cash dividend amounting to QR 401,351 thousand (2013: 321,081 thousand) and the proposed bonus issue will be placed for approval at the Annual General Meeting.

26. CONTINGENT LIABILITIES AND COMMITMENTS

	2014 (QR '000)	2013 (QR '000)
Bank guarantees	**940,746**	41,753
Authorized future investment commitments	**66,847**	81,803
	1,007,593	123,556

Operating leases

Future minimum lease rentals payables under non-cancellable operating leases as at the year-end are as follows:

	2014 (QR '000)	2013 (QR '000)
Within one year	**6,619**	7,173
After one year but not more than five years	**26,477**	28,693
More than 5 years	**6,068**	13,749
	39,164	49,615

27. DERIVATIVE FINANCIAL INSTRUMENTS

In the ordinary course of business, the Group enters into various types of transactions that involve derivative financial instruments. A derivative financial instrument is a financial contract between two parties where payments are dependent upon movements in price in one or more underlying financial instrument, reference rate or index. Derivative financial instruments include FX options and exchange traded options.

The table below shows the notional amounts analysed by the term to maturity. The notional amount is the amount of a derivative's underlying asset, reference rate or index and is the basis upon which changes in the value of derivatives are measured. The notional amounts indicate the volume of transactions outstanding at yearend and are neither indicative of the market risk nor credit risk.

December 31, 2014	**Notional amount (QR '000)**	**Fair value (QR '000)**	**Within 3 months (QR '000)**	**3 to 12 months (QR '000)**
Exchange-traded options:				
Equity put options sold	--	--	--	--
FX options:				
FX put options sold	--	--	--	--
FX put options bought	--	--	--	--
FX call options sold	--	--	--	--

27. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

December 31, 2013	Notional amount (QR '000)	Fair Value (QR '000)	Within 3 months (QR '000)	3 to 12 months (QR '000)
Exchange-traded options:				
Equity put options sold	795	239	239	556
FX options:				
FX put options sold	29,803	88	29,803	--
FX put options bought	--	--	--	--
FX call options sold	20,703	202	20,703	--

Various option strategies are employed for hedging, risk management and income enhancement. All calls sold are on assets held by the Group.

28. DETERMINATION OF FAIR VALUE AND FAIR VALUES HIERARCHY OF INVESTMENTS

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy. The different levels have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices)
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs)

	Level 1 (QR '000)	**Level 2** (QR '000)	**Level 3** (QR '000)	**Total** (QR '000)
December 31, 2014				
Held for trading	**99,194**	**1,429,728**	**--**	**1,528,922**
Available for sale	**4,522,132**	**--**	**--**	**4,522,132**
	4,621,326	**1,429,728**	**--**	**6,051,054**
December 31, 2013				
Held for trading	59,753	151,159	--	210,912
Available for sale	3,868,718	--	--	3,868,718
	3,928,471	151,159	--	4,079,630

29. RELATED PARTIES

a) Transactions with related parties

These represent transactions with related parties, i.e. Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions and also, directors of the Group and companies of which they are key management personnel. Pricing policies and terms of these transactions are approved by the Group's management and are negotiated under normal commercial terms. Significant transactions were:

	2014 (QR '000)	2013 (QR '000)
Premiums	22,017	19,026
Claims	13,602	10,036
Purchase of services	8,415	461

	2014 (QR '000)	2013 (QR '000)
b) Due from related parties	4,312	6,222
c) Due to related parties	1,943	10,641
d) Compensation of key management personnel		
Salaries and other short term benefits	37,776	31,901
End of service benefits	1,450	1,439

Outstanding related party balances at reporting date are unsecured and interest free and no bad debt expense has been incurred during the year (2013: Nil).

30. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Group in the normal course of its business derives its revenue mainly from assuming and managing insurance and investments. Through a robust governance structure, risks and returns are evaluated to produce sustainable revenues to reduce earnings volatility and increase shareholders' return. The Group's lines of business are mainly exposed to the following risks;

- Insurance risk,
- Credit risk,
- Liquidity risk,
- Market risk, and
- Operational risks

30. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

a) Governance framework

The primary objective of the Group's risk and financial management framework is to protect the Group's shareholders from events that hinder the sustainable achievement of the set financial performance objectives. Key management recognises the critical importance of having efficient and effective risk management systems in place.

The Group has established a risk management function with clear terms of reference from the board of directors, its committees and the associated executive management committees. This is supplemented with a clear organisational structure with documented delegated authorities and responsibilities from the board of directors to executive management committees and senior managers. A group risk management policy framework which sets out the risk profiles for the Group, risk management, control and business conduct standards for the Group's operations has been put in place.

b) Capital management framework

The Group has an internal risk management framework for identifying risks to which each of its business units and the Group as a whole is exposed, quantifying their impact on economic capital. The internal framework estimates indicate how much capital is needed to mitigate the risk of insolvency to a selected remote level of risk applied to a number of tests (both financial and non-financial) on the capital position of the business.

c) Regulatory framework

Regulators are primarily interested in protecting the rights of the policyholders and monitor them closely to ensure that the Group is satisfactorily managing affairs for their benefit. At the same time, the regulators are also interested in ensuring that the Group maintains an appropriate solvency position to meet unforeseen liabilities arising from economic shocks or natural disasters.

The operations of the Group are also subject to regulatory requirements within the jurisdictions where it operates. Such regulations not only prescribe approval and monitoring of activities, but also impose certain restrictive provisions (e.g. capital adequacy) to minimise the risk of default and insolvency on the part of the insurance companies to meet unforeseen liabilities as these arise.

d) Asset liability management (ALM) framework

Financial risks arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements. The main risk that the Group faces due to the nature of its investments and liabilities is interest rate risk. The Group manages these positions within an ALM framework that has been developed to achieve long-term investment returns in excess of its obligations under insurance and investment contracts.

The Group's ALM is also integrated with the management of the financial risks associated with the Group's other financial assets and liabilities not directly associated with insurance and investment liabilities.

The Group's ALM also forms an integral part of the insurance risk management policy, to ensure in each period sufficient cash flow is available to meet liabilities arising from insurance and investment contracts.

30. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

e) Insurance risk

The principal risk the Group faces under insurance contracts is that the actual claims and benefit payments or the timing thereof, differ from expectations. This is influenced by the frequency of claims, severity of claims, actual compensation paid and subsequent development of long-term claims. Therefore the objective of the Group is to ensure that sufficient reserves are available to cover these liabilities.

The Group manages the insurance risk through the careful selection and implementation of its underwriting strategy and guidelines together with the adequate reinsurance arrangements and proactive claims handling.

The Group principally issues general insurance contracts which constitutes mainly marine & aviation, property & casualty and health & life.

The concentration of insurance risk exposure is mitigated by careful selection and implementation of the underwriting strategy of the Group, which attempts to ensure that the risks underwritten are well diversified across a large portfolio in terms of type, level of insured benefits, amount of risk, industry and geography. Underwriting limits are in place to enforce risk selection criteria.

The Group, in the normal course of business, in order to minimise financial exposure arising from large claims, enters into contracts with other parties for reinsurance purposes. Such reinsurance arrangements provide for greater diversification of business, allow management to control exposure to potential losses arising from large risks, and provide additional capacity for growth. A significant portion of the reinsurance is affected under treaty, facultative and excess-of-loss reinsurance contracts. Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision and are in accordance with the reinsurance contracts.

Although the Group has reinsurance arrangements, it is not relieved of its direct obligations to its policyholders and thus a credit exposure exists with respect to ceded insurance, to the extent that any reinsurer is unable to meet its obligations assumed under such reinsurance agreements. The Group's placement of reinsurance is diversified such that it is neither dependent on a single reinsurer nor are the operations of the Group substantially dependent upon any single reinsurance contract.

The Group has in place strict claim review policies to assess all new and ongoing claims, regular detailed review of claims handling procedures and frequent investigation of possible fraudulent claims to reduce the risk exposure of the Group. The Group further enforces a policy of actively managing and prompt pursuing of claims, in order to reduce its exposure to unpredictable future developments that can negatively impact the Group.

Key assumptions

The principal assumption underlying the liability estimates is that the Group's future claims development will follow a similar pattern to past claims development experience. This includes assumptions in respect of average claim costs, claim handling costs, claim inflation factors and claim numbers for each accident year. Additional qualitative judgments are used to assess the extent to which past trends may not apply in the future, for example one-off occurrence, changes in market factors such as public attitude to claiming, economic conditions, as well as internal factors such as portfolio mix, policy conditions and claims handling procedures. Judgment is further used to assess the extent to which external factors such as judicial decisions and government legislation affect the estimates.

30. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

e) Insurance risk (continued)

Other key circumstances affecting the reliability of assumptions include variation in interest rates, delays in settlement and changes in foreign currency rates.

Sensitivities
The general insurance claims provisions are sensitive to the key assumptions mentioned above. It has not been possible to quantify the sensitivity of certain assumptions such as legislative changes or uncertainty in the estimation process.

The analysis below is performed for possible movements in key assumptions with all other assumptions held constant, showing the impact on gross and net liabilities, net profit and equity.

	Change in assumptions	Impact on liabilities	Impact on net profit	Impact on equity
		(QR '000)	(QR '000)	(QR '000)
December 31, 2014				
Incurred claim cost	+10%	240,668	(240,668)	--
Incurred claim cost	-10%	(240,668)	240,668	--
December 31, 2013				
Incurred claim cost	+10%	128,027	(128,027)	--
Incurred claim cost	-10%	(128,027)	128,027	--

Claims Development Table

The Group maintains strong reserves in respect of its insurance business in order to protect against adverse future claims experience and developments. The following tables show the estimates of cumulative incurred claims, including both claims notified and IBNR for each successive accident year at each reporting date, together with cumulative payments to date. The top half of each table below illustrates how the Group's estimate of total claims outstanding for each accident year has changed at successive year-ends. The bottom half of the table reconciles the cumulative claims to the amount appearing in the Consolidated Statement of Financial Position.

30. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

e) Insurance risk (continued)

Claims Development Table

With the exception of the proportional and non-proportional reinsurance business, an accident-year basis is considered to be most appropriate for the business written by the Group. Given the nature of reinsurance claims and the difficulties in identifying an accident year for each reported claim, these claims are reported separately and aggregated by reporting year (reporting year basis) – that is, with reference to the year in which the Group was notified of the claims. This presentation is different from the basis used for the claims development tables for the other insurance claims and entities of the Group, where the reference is to the actual date of the event that caused the claim (accident-year basis).

Claims Development Table

Accident year	2009	2010	2011	2012	2013	2014	Total
At end of accident year	953,805	1,176,469	1,529,715	1,320,038	1,825,596	2,410,587	
One year later	941,170	1,119,774	1,613,432	1,279,177	1,758,671	--	
Two years later	870,688	1,097,686	1,549,986	1,330,732	--	--	
Three years later	911,729	1,122,202	1,581,236	--	--	--	
Four years later	913,710	1,115,284	--	--	--	--	
Five years later	924,879	--	--	--	--	--	
Current estimate of cumulative claims incurred	**924,879**	**1,115,284**	**1,581,236**	**1,330,732**	**1,758,671**	**2,410,587**	**9,121,389**
Cumulative payments to date	(854,061)	(1,002,778)	(1,377,148)	(1,080,017)	(1,259,149)	(778,546)	(6,351,699)
Net outstanding claims provision	**70,818**	**112,506**	**204,088**	**250,715**	**499,522**	**1,632,041**	**2,769,690**
Reserve in respect of prior years (Before 2009)	--	--	--	--	--	--	87,496
Total net outstanding claims provision	--	--	--	--	--	--	**2,857,186**
Current estimate of surplus/(deficiency)	28,926	61,185	(51,521)	(10,694)	66,925		
% Surplus/ (deficiency) of initial gross reserve	3%	5%	(3%)	(1%)	4%		

30. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

f) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss to the other party by failing to discharge an obligation. The following policies and procedures are in place to mitigate the Group's exposure to credit risk.

A credit risk policy setting out the assessment and determination of what constitutes credit risk for the Group has been established and the following policies and procedures are in place to mitigate the Group's exposure to credit risk:

- Compliance with the receivable management policy is monitored and exposures and breaches are regularly reviewed for pertinence and for changes in the risk environment.

- For all classes of financial assets held by the Group, other than those relating to reinsurance contracts, the maximum credit risk exposure to the Group is the carrying value as disclosed in the consolidated financial statements at the reporting date.

30. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

f) Credit risk (continued)

- Reinsurance is placed with reinsurers approved by the management. To minimise its exposure to significant losses from reinsurer insolvencies, the Group evaluates the financial condition of its reinsurers and monitors concentrations of credit risk arising from similar geographic regions, activities or economic characteristics of the reinsurers.

At each reporting date, management performs an assessment of creditworthiness of reinsurers and updates the reinsurance purchase strategy, ascertaining suitable allowance for impairment.

Credit exposure is limited to the carrying values of the financial assets as at the reporting date.

Credit exposure by credit rating
The table below provides information regarding the credit risk exposure of the Group by classifying assets according to the Group's credit ratings of counterparties.

December 31, 2014	**Neither past due nor impaired**	**Past due but not impaired**	**Past due and impaired**	**Total**
	(QR '000)	**(QR '000)**	**(QR '000)**	**(QR '000)**
Non-derivative financial assets				
Available-for-sale financial assets				
-Debt securities	**1,964,620**	--	--	**1,964,620**
Insurance receivables	**1,842,898**	**212,692**	**30,991**	**2,086,581**
Reinsurance contract assets	**1,829,515**	--	--	**1,829,515**
Cash and cash equivalents	**2,646,907**	--	--	**2,646,907**
	8,283,940	**212,692**	**30,991**	**8,527,623**

December 31, 2013	Neither past due nor impaired	Past due but not impaired	Past due and impaired	Total
	(QR '000)	(QR '000)	(QR '000)	(QR'000)
Non- derivative financial assets				
Available-for-sale financial assets				
-Debt securities	1,566,151	--	--	1,566,151
Insurance receivables	785,523	173,610	24,935	984,068
Reinsurance contract assets	1,269,167	--	--	1,269,167
Cash and cash equivalents	3,351,905	--	--	3,351,905
Total	6,972,746	173,610	24,935	7,171,291

30. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

f) Credit risk (continued)

Age analysis of financial assets

December 31, 2014

	<30 days	31 to 60 days	61 to 90 days	91 to 120 days	Above 121days	Total
	(QR 000)	(QR '000)	(QR '000)	(QR'000)	(QR '000)	(QR'000)
Cash and cash equivalents	1,166,304	1,025,503	366,288	--	88,812	2,646,907
Insurance and other receivables	872,203	178,193	752,166	115,529	243,685	2,161,776
	2,038,507	1,203,696	1,118,454	115,529	332,497	4,808,683

December 31, 2013

	<30 days	31 to 60 days	61 to 90 days	91 to 120 days	Above 121days	Total
	(QR 000)	(QR'000)	(QR '000)	(QR'000)	(QR '000)	(QR'000)
Cash and cash equivalents	1,303,723	522,108	917,937	546,710	61,427	3,351,905
Insurance and other receivables	484,480	130,006	109,428	100,730	223,479	1,048,123
	1,788,203	652,114	1,027,365	647,440	284,906	4,400,028

Impaired financial assets

At December 31, 2014, there are impaired reinsurance assets of QR 21,417 thousand (2013: QR 17,896 thousands), impaired insurance and other receivables of QR 9,574 thousand (2013: QR 7,039 thousand).

The Group records all impairment allowances in separate impairment allowances accounts. The movement in the allowances for impairment losses for the year are as follows:

	Impairment on insurance and reinsurance receivables		Impairment on investments	
	2014	2013	2014	2013
	(QR '000)	(QR '000)	(QR '000)	(QR '000)
At January 1,	24,935	18,682	745	--
Charged/ (utilised) during the year	6,056	6,253	3,280	745
Total	30,991	24,935	4,025	745

g) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities.

Liquidity requirements are monitored regularly on a daily/weekly/monthly basis and management ensures that sufficient funds are available to meet any commitments as they arise.

30. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

g) Liquidity risk (continued)

Maturity profiles

The table below summarises the maturity profile of the financial assets and financial liabilities of the Group based on remaining undiscounted contractual obligations, including interest payable and receivable. For insurance contracts liabilities and reinsurance assets, maturity profiles are determined based on estimated timing of net cash outflows from the recognised insurance liabilities. Unearned premiums and the reinsurers' share of unearned premiums have been excluded from the analysis as they are not contractual obligations.

December 31, 2014

	Up to a year	1-5 years	Over 5 years	Total
	(QR '000)	(QR '000)	(QR '000)	(QR'000)
Financial assets				
Non-derivative financial assets				
Held for trading investments	1,528,922	--	--	1,528,922
Available-for-sale financial assets				
Equity securities	2,978,565	-	-	2,978,565
Debt securities	79,188	1,086,330	799,102	1,964,620
Insurance receivables	2,086,581	--	--	2,086,581
Reinsurance contract assets	1,829,515	--	--	1,829,515
Cash and cash equivalents	2,646,907	--	--	2,646,907
	11,149,678	1,086,330	799,102	13,035,110

	Up to a year	1-5 years	Over 5 years	Total
	(QR '000)	(QR '000)	(QR '000)	(QR 000)
Financial liabilities				
Non-derivative financial liabilities				
Trade and other payables	632,390	--	--	632,390
Insurance contract liabilities	4,686,701	--	--	4,686,701
Insurance payables	641,508	--	--	641,508
Short term borrowings	182,000	--	--	182,000
	6,142,599	--	--	6,142,599

30. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

h) Liquidity risk (continued)

December 31, 2013	Up to a year	1-5 years	Over 5 years	Total
	(QR '000)	(QR '000)	(QR '000)	(QR 000)
Financial assets				
Non-derivative financial assets				
Held for trading Investments	210,912	--	--	210,912
Available-for-sale financial assets				
-Equity securities	2,685,952	--	--	2,685,952
-Debt securities	779,796	178,793	607,562	1,566,151
Insurance receivables	984,068	--	--	984,068
Reinsurance contract assets	1,269,167	--	--	1,269,167
Cash and cash equivalents	3,351,905	--	--	3,351,905
	9,281,800	178,793	607,562	10,068,155

	Up to a year	1-5 years	Over 5 years	Total
	(QR '000)	(QR '000)	(QR '000)	(QR 000)
Financial liabilities				
Non-derivative financial liabilities				
Trade and other payables	243,491	--	--	243,491
Insurance contract liabilities	2,603,054	--	--	2,603,054
Insurance payables	424,906	--	--	424,906
Short term borrowings	746,200	--	--	746,200
	4,017,651	--	--	4,017,651

h) Market risk

Market risk is the risk that the fair value of or income from a financial instrument will fluctuate as a result of changes in market prices (such as exchange rates, interest rates and equity prices) , whether those changes are caused by factors specific to the individual security, or its issuer, or factors affecting all securities traded in the market. The Group limits market risk by maintaining a diversified portfolio and by continuous monitoring of developments in international and local equity and bond markets. In addition, the Group actively monitors the key factors that affect stock and bond market movements, including analysis of the operational and financial performance of investees.

30. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

i) *Currency risk*

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Group uses various off balance sheet financial instruments, including forward foreign exchange contracts and option, to manage certain foreign currency investment exposures and for trading.

The table below summarises the Group's exposure to foreign currency exchange rate risk at the reporting date by categorising assets and liabilities and major currencies.

December 31, 2014

	USD (QR '000)	EURO (QR '000)	GBP (QR '000)	Others (QR '000)	Total (QR '000)
Cash and cash equivalents	502,073	23,776	73,670	2,047,388	2,646,907
Insurance and other receivables	1,124,824	109,391	117,500	1,468,313	2,820,028
Investments	1,986,862	92,821	224,160	4,164,239	6,468,082
TOTAL ASSETS	**3,613,759**	**225,988**	**415,330**	**7,679,940**	**11,935,017**
Short term borrowing	182,000	--	--	--	182,000
Provisions, reinsurance and other payables	73,415	5,310	1,997	1,580,037	1,660,759
TOTAL LIABILITIES	**255,415**	**5,310**	**1,997**	**1,580,037**	**1,842,759**

December 31, 2013

	USD (QR '000)	EURO (QR '000)	GBP (QR '000)	Others (QR '000)	Total (QR '000)
Cash and cash equivalents	141,912	43,925	37,483	3,128,585	3,351,905
Insurance and other receivables	169,231	18,058	50,798	926,528	1,164,615
Investments	1,328,691	56,633	5,686	3,071,260	4,462,270
TOTAL ASSETS	1,639,834	118,616	93,967	7,126,373	8,978,790
Short term borrowing	746,200	--	--	--	746,200
Provisions, reinsurance and other payables	163,184	3,448	5,751	737,622	910,005
TOTAL LIABILITIES	909,384	3,448	5,751	737,622	1,656,205

The Group has no significant concentration of currency risk.

30. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

The analysis below is performed for reasonably possible movements in key variables with all other variables held constant, showing the impact on the consolidated statements of income and changes in equity due to changes in the fair value of currency sensitive monetary assets and liabilities including insurance contract liabilities.

		December 31, 2014		December 31, 2013	
	Changes in variables	**Impact on profit or loss**	**Impact on equity**	Impact on profit or loss	Impact on equity
		(QR '000)	**(QR '000)**	(QR '000)	(QR '000)
Currency					
Euro	+10%	**18,536**	**5,750**	7,133	10
GBP	+10%	**19,597**	**679**	8,253	469
Total		**38,133**	**6,429**	15,386	479
Euro	-10%	**(18,536)**	**(5,750)**	(7,133)	(10)
GBP	-10%	**(19,597)**	**(679)**	(8,253)	(469)
Total		**(38,133)**	**(6,429)**	(15,386)	(479)

The method used for deriving sensitivity information and significant variables did not change from the previous period.

ii) Interest rate risk

Interest rate risk is the risk that the value of future cash flows from a financial instrument will fluctuate because of changes in market interest rates.

The Group invests in securities and has deposits that are subject to interest rate risk. Interest rate risk to the Group is the risk of changes in market interest rates reducing the overall return on its interest bearing securities.

The Group's interest risk policy requires managing interest rate risk by maintaining an appropriate mix of fixed and variable rate instruments. The policy also requires it to manage the maturities of interest bearing financial assets and interest bearing financial liabilities.

The Group limits interest rate risk by monitoring changes in interest rates in the currencies in which its cash and investments are denominated and has no significant concentration of interest rate risk.

30. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

ii) Interest rate risk (continued)

The analysis below is performed for reasonably possible movements in key variables with all other variables held constant, showing the impact on profit or loss and equity.

Currency	Changes in variables	December 31, 2014 Impact on profit or loss (QR '000)	December 31, 2014 Impact on equity (QR '000)	December 31, 2013 Impact on profit or loss (QR '000)	December 31, 2013 Impact on equity (QR '000)
Qatari Riyals	+50 basis points	1,779	(68,237)	6,662	(59,128)
Qatari Riyals	-50 basis points	(1,779)	68,237	(6,662)	59,128

The Group's interest rate risk based on contractual arrangements is as follows:

December 31, 2014

	Up to 1 year (QR '000)	1 to 5 years (QR '000)	Over 5 years (QR '000)	Total (QR '000)	Effective interest rate (%)
Cash and Cash equivalents	2,646,907	--	--	2,646,907	1.18%
Investments	79,188	1,086,330	799,102	1,964,620	3.83%
	2,726,095	1,086,330	799,102	4,611,527	

December 31, 2013

	Up to 1 year (QR '000)	1 to 5 years (QR '000)	Over 5 years (QR '000)	Total (QR '000)	Effective interest rate (%)
Cash and Cash equivalents	3,351,905	--	--	3,351,905	1.58%
Investments	779,796	178,793	607,562	1,566,151	4.16%
	4,131,701	178,793	607,562	4,918,056	

30. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

iii) Price risk

Price risk is the risk that the fair value of or income from a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The Group's equity price risk exposure relates to financial assets and financial liabilities whose values will fluctuate as a result of changes in market prices, principally investment securities not held for the account of unit-linked business. The Group's price risk policy requires it to manage such risks by setting and monitoring objectives and constraints on investments, diversification plans, limits on investments in each country, sector and market and careful and planned use of derivative financial instruments. The Group has no significant concentration of price risk.

The analysis below is performed for reasonably possible movements in key variables with all other variables held constant, showing the impact on profit or loss and equity.

		December 31, 2014		December 31, 2013	
	Changes in variables	**Impact on profit or loss (QR '000)**	**Impact on equity (QR '000)**	Impact on profit or loss (QR '000)	Impact on equity (QR '000)
Qatar Market	+10%	--	189,811	--	177,521
International Markets	+10%	152,892	65,605	21,091	51,254
Qatar Market	-10%	--	(189,811)	--	(177,521)
International Markets	-10%	(152,892)	(65,605)	(21,091)	(51,254)

The method used for deriving sensitivity information and significant variables did not change from the previous period.

iv) Operational risks

Operational risk is the risk of loss arising from system failure, human error, fraud or external events. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications or can lead to financial loss. The Group cannot expect to eliminate all operational risks, but by initiating a rigorous control framework and by monitoring and responding to potential risks, the Group is able to manage the risks. The Group has detailed systems and procedures manuals with effective segregation of duties, access controls, authorisation and reconciliation procedures, staff training and assessment processes etc. with an effective compliance and internal audit framework. Business risks such as changes in environment, technology and the industry are monitored through the Group's strategic planning and budgeting process.

30. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

j) Capital management

Externally imposed capital requirements are set and regulated by the Qatar Commercial Companies' Law and Qatar Exchange to ensure sufficient solvency margins. Further objectives are set by the Group to maintain a strong credit rating and healthy capital ratios in order to support its business objectives and maximise shareholders value.

The Group manages its capital requirements by assessing shortfalls between reported and required capital levels on a regular basis. The Group fully complied with the externally imposed capital requirements during the reported financial year and no changes were made to its capital base, objectives, policies and processes from the previous year.

k) Classification and fair values

The following table compares the fair values of the financial instruments to their carrying values:

	December 31, 2014		December 31, 2013	
	Carrying amount	**Fair value**	Carrying amount	Fair value
	(QR '000)	**(QR '000)**	(QR '000)	(QR '000)
Cash and cash equivalents	**2,646,907**	**2,646,907**	3,351,905	3,351,905
Loans and receivables:				
Insurance receivables	**2,086,581**	**2,086,581**	984,068	984,068
Reinsurance contract assets	**1,829,515**	**1,829,515**	2,151,318	2,151,318
Investments held for trading	**1,528,922**	**1,528,922**	210,912	210,912
Available -for-sale Investments	**4,939,160**	**4,939,160**	4,251,358	4,251,358
	13,031,085	**13,031,085**	10949561	10,949,561
Short term borrowings	**182,000**	**182,000**	746,200	746,200
Insurance and other payables	**1,660,759**	**1660,759**	910,005	910,005
Insurance contract liabilities	**4,686,701**	**4,686,701**	4,594,615	4,594,615
	6,529,460	**6,529,460**	6,250,820	6,250,820

31. CRITICAL JUDGEMENTS IN APPLYING THE GROUP'S ACCOUNTING POLICIES

In the process of preparing these consolidated financial statements, Management has made use of a number of judgments relating to the application of accounting policies which are described in note 3 (d). Those which have the most significant effect on the reported amounts of assets, liabilities, income and expense are listed below (apart from those involving estimations which are dealt within note 32).

These judgments are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Management believes that the following discussion addresses the accounting policies that require judgments.

Classification of investments
Quoted securities are classified either held for trading or as available for sale. The Group invests substantially in quoted securities either locally or overseas and management has primarily decided to account for them for their potential long term growth rather than the short term profit basis. Consequently, such investments are recognized as available for sale rather than at fair value through profit or loss.

Financial assets are classified as fair value through profit or loss where the assets are either held for trading or designated as at fair value through profit or loss. The Group invests in mutual and managed funds for trading purpose.

Impairment of financial assets
The Group determines whether available for sale equity financial assets are impaired when there has been a significant or prolonged decline in their fair value below cost. This determination of what is significant or prolonged requires considerable judgment by the management. In making this judgment and to identify whether impairment has occurred, the Group evaluates among other factors, the normal volatility in share price, the financial health of the investee, industry and sector performance, changes in technology and operational and financial cash flows.

Impairment of goodwill
The Group carries out impairment testing annually in respect of the goodwill relating to the acquired subsidiaries. In carrying out the impairment analysis, the Group makes the following estimates which are critical:

Growth rate
Management uses the projected cash flows over a 5 year horizon. The growth rate used in determining the projected cash flows is estimated by taking in account the nature of the industry and the general economic growth relevant to the subsidiary in question and the Group

Discount rate
The Management discounts the cash flows using its weighted average cost of capital which takes in to account the debt-equity structure of the Group, an estimated cost of equity based on the capital asset pricing model and an estimated long term cost of debt.

The Management performs sensitivity analysis on the above and key assumptions in ascertaining its impact on the recoverable amount and impairment to the carrying value of goodwill in the consolidated financial statements. Material changes in the above assumptions may impact the recoverable amounts and may lead to an impairment to goodwill.

32. KEY SOURCES OF ESTIMATES UNCERTAINTY

The key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year , are discussed below;

Claims made under insurance contracts
Claims and loss adjustment expenses are charged to the consolidated statement of income as incurred based on the estimated liability for compensation owed to contract holders or third parties damaged by the contract holders. Liabilities for unpaid claims are estimated using the input of assessments for individual cases reported to the Group and management estimations for the claims incurred but not reported. The method for making such estimates and for establishing the resulting liability is continually reviewed. Any difference between actual claims and the provisions made are included in the consolidated statement of income in the year of settlement. As of December 31, 2014, the estimate for unpaid claims amounted to QR 2,857,186 thousand (2013: QR 1,333,887 thousand).

Impairment of Insurance and other receivables
An estimate of the collectible amount of insurance and other receivables is made when collection of the full amount is no longer probable. This determination of whether these insurance and other receivables are impaired, entails the Group evaluating the credit and liquidity position of the policy holders and the insurance companies, historical recovery rates including detailed investigations carried out during 2014 and feedback received from their legal department. The difference between the estimated collectible amount discounted to present value if applicable and the book amount is recognized as an expense in the consolidated statement of income. Any difference between amounts actually collected in the future periods and the amounts expected will be recognized in the consolidated statement of income at the time of collection. As of December 31, 2014, the carrying values of insurance receivable and reinsurance receivables amounted to QR. 962,800 thousand (2013: 380,556 thousand) and QR. 1,154,772 thousands (2013: QR 628,447 thousand) respectively and the provision for impairment on insurance receivable and reinsurance receivable amounted to QR 9,574 thousand (2013: QR 7,039 thousand) and QR 21,417 thousand (2013: QR 17,896 thousand) respectively.

Liability Adequacy Test
At each reporting date, liability adequacy tests are performed to ensure the adequacy of insurance contract liabilities. The Group makes use of the best estimates of future contractual cash flows and claims handling and administration expenses, as well as investment income from the assets backing such liabilities in evaluating the adequacy of the liability. Any deficiency is immediately charged to the consolidated statement of income.

33. PARENTAL GUARANTEE

The Parent Company has provided unconditional parental guarantee to its subsidiary companies - QIC International L.L.C., Qatar Reinsurance Company L.L.C. (Qatar – Re), Q - Life & Medical Insurance Company L.L.C. , Kuwait Qatar Insurance Company and QIC Europe Ltd, Malta for the purpose of obtaining financial rating from international rating agencies.

34. OTHER EVENTS

On November 23, 2014, the general assembly meeting approved the issuance of Convertible Notes in accordance with Article No. (168 - 179) of Qatar Commercial Companies Law and according to the terms and conditions determined by the Board of Directors. The notes will have a maturity of five years and principal amount of QAR 910 million. It could be converted into fully paid ordinary shares after three years from the date of issuance. The notes will be issued after obtaining the necessary approvals from the concerned authorities. In addition, the extraordinary general assembly meeting at the same date, principally approved, the increase in the share capital of the Company which could result from conversion of the notes into ordinary shares at the conversion date in accordance with Article (3/190 - 198) of Qatar Commercial Companies Law.

35. COMPARATIVE FIGURES

Certain Comparative figures for the previous year have been reclassified, where necessary, in order to conform to the current year's presentation. Such reclassification do not affect the previously reported financial performance, net assets or equity.

QATAR REINSURANCE COMPANY LIMITED
BERMUDA

CONSOLIDATED FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED
DECEMBER 31, 2016

QATAR REINSURANCE COMPANY LIMITED

CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

For the year ended December 31, 2016

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QR. 99-8

RN: 000254/WS/FY2017

INDEPENDENT AUDITOR'S REPORT

The Shareholders
Qatar Reinsurance Company Limited
Bermuda

Opinion

We have audited the accompanying consolidated financial statements of Qatar Reinsurance Company Limited (the "Company") and its subsidiary (together the "Group"), which comprise the consolidated statement of financial position as at December 31, 2016 and the consolidated statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2016, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants ("IESBA Code")* together with the ethical requirements that are relevant to our audit of these consolidated financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern; and
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Doha – Qatar	For **Deloitte & Touche**
February 18, 2017	**Qatar Branch**

QATAR REINSURANCE COMPANY LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at December 31, 2016

	Notes	December 31, 2016	December 31, 2015 Restated	January 1, 2015 Restated
		USD ('000)	USD ('000)	USD ('000)
ASSETS				
Cash and cash equivalents	5	**717,698**	319,699	128,169
Premiums and other receivables	6	**1,073,765**	988,004	305,354
Reinsurance contract assets	7	**1,129,827**	855,141	341,878
Investments	8, 26	**714,595**	721,987	527,111
Property and equipment	9	**2,345**	2,374	1,868
TOTAL ASSETS		**3,638,230**	2,887,205	1,304,380
LIABILITIES AND EQUITY				
LIABILITIES				
Provisions, reinsurance and other payables	10	**146,399**	138,776	79,932
Short term borrowing	20, 26	**384,392**	416,412	240,684
Due to related parties	11	**727,001**	558,979	221,804
Reinsurance contract liabilities	7	**1,608,685**	1,241,290	536,418
TOTAL LIABILITIES		**2,866,477**	2,355,457	1,078,838
EQUITY				
Share capital	12	**1,000**	1,000	200,549
Share Premium	13	--	--	2,652
Contributed Surplus	19	**695,368**	495,368	--
Fair value reserve	14	**(10,984)**	(12,943)	(999)
Retained earnings		**86,369**	48,323	23,340
TOTAL EQUITY		**771,753**	531,748	225,542
TOTAL LIABILITIES AND EQUITY		**3,638,230**	2,887,205	1,304,380

These consolidated financial statements were approved by the Board of Directors on 14 February 2017 and signed on their behalf by following signatories:

Sunil Talwar
Chairman

Gunther Saacke
CEO and Board Member

QATAR REINSURANCE COMPANY LIMITED

CONSOLIDATED STATEMENT OF INCOME

For the year ended December 31, 2016

	Notes	**December 31, 2016**	December 31, 2015
		USD ('000)	USD ('000)
Gross written premiums	15	**1,249,371**	1,156,203
Premiums ceded to reinsurers	15	**(885,810)**	(812,777)
Net premiums		**363,561**	343,426
Movement in net unexpired risk reserve	15	**(12,319)**	(98,390)
Net earned premiums		**351,242**	245,036
Gross claims paid	15	**(450,155)**	(195,716)
Reinsurance recoveries	15	**311,589**	123,304
Movement in net outstanding claims	15	**(117,466)**	(93,219)
Commission income	15	**220,041**	148,389
Commission expense		**(261,222)**	(163,062)
Net underwriting results		**54,029**	64,732
Investment income	16	**36,748**	12,884
Finance costs	16	**(4,057)**	(2,211)
Net investment income	16	**32,691**	10,673
Total income		**86,720**	75,405
Operating and administrative expenses	17	**(47,726)**	(49,483)
Depreciation	9	**(948)**	(939)
Profit for the year		**38,046**	24,983

QATAR REINSURANCE COMPANY LIMITED

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended December 31, 2016

	December 31, 2016	December 31, 2015
	USD ('000)	USD ('000)
Profit for the year	**38,046**	24,983
Other comprehensive income (OCI)		
OCI to be reclassified to profit or loss in subsequent period		
Net changes in fair value of available-for-sale investments	**1,959**	(11,944)
Total comprehensive income for the year	**40,005**	13,039

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS

QATAR REINSURANCE COMPANY LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended December 31, 2016

	Share Capital	Share premium	Contributed Surplus	Fair value reserve	Retained earnings	Total equity
	USD ('000)	USD ('000)	USD ('000)	USD ('000)	USD ('000)	USD ('000)
Balance as at January 1, 2015	200,549	2,652	--	(999)	23,340	225,542
Profit for the year	--	--	--	--	24,983	24,983
Net changes in fair value on available-for-sale investments	--	--	--	(11,944)	--	(11,944)
Total comprehensive income for the year	--	--	--	(11,944)	24,983	13,039
Merger of Antares Re with the Group (Note 24)	--	--	243,717	--	--	243,717
Shares issued during the year	32,967	16,483	--	--	--	49,450
Reduction of share capital (Note 12)	(232,516)	(19,135)	251,651	--	--	--
Balance as at December 31, 2015	1,000	--	495,368	(12,943)	48,323	531,748
Profit for the year	--	--	--	--	38,046	38,046
Net changes in fair value on available-for-sale investments	--	--	--	1,959	--	1,959
Total comprehensive income for the year	--	--	--	1,959	38,046	40,005
Contribution from Parent Company	--	--	200,000	--	--	200,000
Balance as at December 31, 2016	**1,000**	**--**	**695,368**	**(10,984)**	**86,369**	**771,753**

QATAR REINSURANCE COMPANY LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended December 31, 2016

	Note	**December 31, 2016**	December 31, 2015 Restated
		USD ('000)	USD ('000)
OPERATING ACTIVITIES			
Profit for the year		**38,046**	24,983
Adjustments for:			
Depreciation of property and equipment		**948**	939
Investment income		**(36,748)**	(10,673)
Provision for employees' end of service benefits		**221**	165
Loss on disposal of property and equipment		**16**	--
		2,483	15,414
Movements in working capital			
Premiums and other receivables		**(85,761)**	(591,420)
Net movement in insurance reserves		**92,709**	191,609
Provisions, insurance and other payables		**7,512**	51,409
Due to related parties		**168,022**	337,186
Cash generated from operations		**184,965**	4,198
Employees' end of service benefits paid		**(110)**	(32)
Finance costs		**4,057**	2,211
Net cash generated from operating activities		**188,912**	6,377
INVESTING ACTIVITIES			
Net cash movements in investments		**9,351**	(80,281)
Purchase of property and equipment		**(935)**	(1,456)
Investment income realised		**36,748**	10,673
Net cash generated from / (used in) investing activities		**45,164**	(71,064)
FINANCING ACTIVITY			
Net movement in short term borrowings		**(32,020)**	175,728
Additional capital contribution		**200,000**	--
Interest paid		**(4,057)**	(2,211)
Proceeds from new shares issued		**--**	49,450
Net cash generated from financing activity		**163,923**	222,967
Increase in cash and cash equivalents		**397,999**	158,280
Add: Cash and cash equivalents from business combinations		**--**	33,250
Cash and cash equivalents at beginning of the year		**319,699**	128,169
Cash and cash equivalents at the end of the year	5	**717,698**	319,699

1. LEGAL STATUS AND PRINCIPAL ACTIVITIES

Qatar Reinsurance Company Limited (the "Company') is a company engaged in the business of reinsurance and registered under the laws of Bermuda Monetary Authority (BMA) as a Class 4 insurer. The Company was authorized by the Bermuda Monetary Authority on November 24, 2015 under the name of "Qatar Reinsurance Company Limited" and Registration No. 50986.

The Company was originally incorporated in Qatar Financial Centre Doha, Qatar (QFC) with the name and registration number of "Qatar Reinsurance Company LLC" and No. 00117 respectively and conducted its business under legal supervision of Qatar Financial Centre Regulatory Authority (QFCRA). With effect from December 2, 2015, the Company changed its legal domicile from QFC Qatar to Bermuda, by means of continuance under Bermuda companies law, after obtaining the regulatory approval from QFCRA.

The address of Company's registered office is Clarendon house, 2 Church Street, Hamilton HM11, Bermuda.

The consolidated financial statements incorporate the financial information of the Company and its subsidiary (the "Group") all of which having December 31st as financial year end.

The Company is fully owned by a single shareholder - QIC Capital LLC, Doha, Qatar. The ultimate parent company of the Group is Qatar Insurance Company S.A.Q Doha, Qatar. The Company operates from Bermuda and has branches in Switzerland, United Arab Emirates, Singapore and representative office in United Kingdom.

Subsidiary
The Company holds 100% share capital of Qatar Reinsurance Services LLC, Doha Qatar. The subsidiary is a limited liability company registered with QFC, Qatar and primarily engaged in providing management services to the Group. The incorporation date of the subsidiary is October 13, 2015.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

In the current financial year, the Group has adopted certain new and revised standards and interpretations, which is mainly:

IAS 14	IFRS 14 is an optional standard that allows an entity, whose activities are subject to rate-regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first-time adoption of IFRS.

The revised standard issued by IASB and IFRIC interpretations which are effective from the accounting period commencing January 1, 2016, had no significant effect on the financial statements of the Group for the year ended December 31, 2016.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs) (CONTINUED)

The following IASB Standards and IFRIC interpretations issued but, are not mandatory for the year ended December 31, 2016, have not yet been adopted by the Group:

- **IFRS 9 - "Financial Instruments"** was issued to replace IAS 39 – "Financial Instruments: Recognition and Measurement". IFRS 9 simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortized cost and fair value. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Temporary exemption: For the company with insurance contracts as per IFRS 4 and meeting the criterion for engaging in predominantly insurance activities ("Predominance criterion"), the amendment in 2016 provided the option to continue current IFRS accounting and to defer the application of IFRS 9 until the earlier application of new insurance standards or periods beginning on or after January 1, 2021(the "sunset clause"). The amendment also provides the company with insurance contracts within scope of IFRS 4 with an option to apply IFRS 9 in full nut to make an adjustment to profit or loss to remove the impact of IFRS 9 ("overlay approach"). The assessment on Predominance criterion are expected to be made at the reporting entity level and at the annual reporting date immediately preceding April 1, 2016 (e.g. December 31, 2015). Thereafter it should not be reassessed, unless there is a significant change in the entity's activities that would trigger mandatory assessment. As per the initial assessment made by the Group, IFRS 9 Financial Instruments will be applicable for annual periods beginning on or after January 1, 2018;

- **IFRS 15 Revenue from Contracts with Customer -** IFRS 15 was issued in May 2014 and establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

- Certain consequential amendments to IFRS 7 "Financial Instrument disclosures" and IAS 39 (Revised) due to application of IFRS 9, detailed above.

- **Annual improvement – 2012-2014 cycle -** *IFRS 5 Non-current Assets Held for Sale and Discontinued Operations, IFRS 7 Financial Instruments: Disclosures , IAS 19 Employee Benefits and IAS 34 Interim Financial Reporting*

The Group is currently in the process of evaluating the potential effect of these amendments in the presentation of the financial statements.

A number of new standards, amendments to standards and interpretations that are not yet effective for the year ended December 31, 2016 have not been applied in preparing these financial statements. The Group does not expect the proposed amendments which will become mandatory for the financial statements for the year 2017 or thereafter, to have a significant impact on the financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for available for sale financial assets and held for trade financial instruments that are measured at fair value. These consolidated financial statements are presented in United States Dollars (USD) and rounded to the nearest thousand (USD ‘000), unless otherwise indicated.

a) Consolidation, translation and financial instruments

i) Basis of consolidation

Subsidiaries

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company directly or indirectly as at December 31st of each year.

Subsidiaries are all entities over which the Company has control. Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Company obtains control, and continue to be consolidated until the date when such control ceases. The financial statements of the subsidiary companies are prepared for the same reporting period as the Company, using consistent accounting policies.

Control is achieved when the Company directly or indirectly (i) has power over the subsidiary, (ii) has exposure or rights to variable returns from its involvement with the subsidiary and (iii) has the ability to use its power to effect those returns.

The Company reassesses whether or not it controls a subsidiary and facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

All significant intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Changes in the Group’s ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group’s interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

Non-controlling interests represent the portion of profit or loss and net assets not held by the Group and are presented separately in the consolidated statement of income and within equity in the consolidated statement of financial position, separately from company shareholders’ equity.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

a) Consolidation, translation and financial instruments (continued)

i) Basis of consolidation (continued)

Subsidiaries (continued)

When the Group ceases to control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in the consolidated statement of income. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to the consolidated statement of income.

Business combination

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognized in consolidated statement of income as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognized at their fair value.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held in equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed as at date of acquisition. If the net of the acquisition date amounts of identifiable asset acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree (if any), the excess is recognized immediately in the consolidated statement of income as a bargain purchase gain.

Common control transactions
Business combinations involving the transfer of business and net assets in a transaction under common control, are accounted for at the carrying values of the underlying net assets of the transferred business. There are no bargain gain or goodwill on transfer of assets recognized by the Group on common control transactions.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

a) Consolidation, translation and financial instruments (continued)

i) Basis of consolidation (continued)

Goodwill (continued)

A cash-generating unit to which goodwill has been allocated is tested for impairment at least annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in the consolidated statement of income. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

ii) Foreign currency

Foreign operations

The individual financial statements of the Group entities are presented in the currency of the primary economic environment in which they operate (functional currency). For the purpose of these consolidated financial statements, the results and financial position of each subsidiary are expressed in the presentation currency of the Company.

The assets and liabilities of foreign operations are translated to United States Dollars using exchange rates prevailing at the reporting date. Income and expenses are also translated to United States Dollars at the exchange rates prevailing at the reporting date, which do not significantly vary from the average exchange rates for the year. Foreign currency translation reserve is not shown separately under equity due to insignificance of the amount.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences are recognized in other comprehensive income.

Foreign currency transactions

Foreign currency transactions are recorded in the respective functional currencies of Group entities at the rates of exchange prevailing at the date of each transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the respective functional currencies at the rate of exchange prevailing at the yearend. The resultant exchange differences are included in the consolidated statement of income.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

a) Consolidation, translation and financial instruments (continued)

iii) Financial instruments

Financial instruments represent the Group's financial assets and liabilities. Financial assets include cash and cash equivalents, insurance and other receivables and investments. Financial liabilities include short term borrowings and other payables.

Financial asset or liability is initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in the consolidated statement of income.

Recognition

The Group initially recognizes cash and cash equivalents, insurance and other receivables, short term borrowings and other payables at the date that they originate. All other financial assets and liabilities are initially recognized at the trade date or settlement date when the Group becomes a party to the contractual provisions of the instrument.

De-recognition

The Group derecognizes a financial asset when the contractual rights to receive cash flows from that asset expire or it transfers the right to receive the contractual cash flow of that asset in a transaction in which substantially all the risks and rewards of ownership of the financial assets are transferred. Any interest in the transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability. The Group derecognizes a financial liability when its contractual obligations are discharged or cancelled or expired.

Measurement

The measurement of financial assets and liabilities is disclosed under accounting policy for respective financial assets and liabilities.

Fair values of financial instruments

Fair value is the amount for which an asset could be exchanged or a liability settled between knowledgeable willing parties on an arm's length transaction at the measurement date. Differences can therefore arise between the book values under the historical cost method and fair value estimates.

Underlying the definition of fair value is a presumption that an enterprise is a going concern without any intention or need to liquidate, curtail materially the scale of its operations or undertake a transaction on adverse terms.

Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognized in the profit or loss as they arise.

Fair values of marketable investments are determined by reference to their bid prices at the close of business at the reporting date. In respect of unquoted available for sale financial assets, the fair value is determined based on various valuation techniques, as deemed appropriate. The fair values of the Group's other financial assets and financial liabilities are not materially different from their carrying values.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

a) Consolidation, translation and financial instruments (continued)

iii) Financial instruments (continued)

Impairment of financial asset

At each reporting date, the Group assesses whether there is objective evidence that any financial asset is impaired. Financial assets are impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset, and that the loss event has an impact on the future cash flows of the asset that can be estimated reliably.

Objective evidence that financial assets are impaired can include default or delinquency by a customer or insurer or reinsurer, indications that the customer or insurer or reinsurer will enter bankruptcy or the disappearance of an active market for a security. In addition for an investment in equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment. Impairment loss on assets are recognised in the consolidated statement of income and reflected as an allowance against receivables or investments.

b) Reinsurance operations

i) Premiums and other receivables

Premiums and other receivables are recognised when due and measured on initial recognition at the fair value of the consideration received or receivable. The carrying value of the receivables is reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable, with the impairment loss recorded in the consolidated statement of income. After initial measurement, premiums and other receivables are measured at amortised cost as deemed appropriate.

Premiums receivables are derecognised when the derecognition criteria for financial assets, as described in Note 3 (a) (iii), have been met.

ii) Reinsurance contract assets

The Company cedes insurance risk in the normal course of business as part of its businesses model. Reinsurance assets represent balances recoverable from reinsurance companies. Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision or settled claims associated with the reinsurers' policies and are in accordance with the related reinsurance contract.

Reinsurance assets are reviewed for impairment at each reporting date, or more frequently, when an indication of impairment arises during the reporting year. Impairment occurs when there is objective evidence as a result of an event that occurred after initial recognition of the reinsurance asset that the Company may not receive all outstanding amounts due under the terms of the contract and the event has a reliably measurable impact on the amounts that the Company will receive from the reinsurer. The impairment loss is recorded in the income statement.

iii) Reinsurance and other payables

Reinsurance and other payables are recognized when due and measured on initial recognition at the fair value of the consideration received less directly attributable transaction costs. Subsequently, reinsurance and other payables are measured at amortised cost, as deemed appropriate.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

b) Reinsurance operations (continued)

iv) Gross written premiums

Gross written premiums are recognized when written and include an estimate for written premiums receivable at period end. Gross written premiums comprise the total premiums receivable for the whole period of cover provided by reinsurance contracts entered into during the accounting period. Gross written premiums also include any adjustments arising in the accounting period for premiums receivable in respect of business written in prior accounting periods.

Premium on reinsurance contracts are recognized as revenue (earned premiums) proportionally over the period of risk coverage. The portion of premium received on in-force contracts that relates to unexpired risks at the reporting date are reported as the unearned premium reserve.

v) Premiums ceded to reinsurers

Reinsurance premiums comprise the total premiums payable for the reinsurance cover provided by retrocession contracts entered into during the period and are recognized on the date on which the policy incepts. Reinsurance premiums also include any adjustments arising in the accounting period in respect of retrocession contracts incepting in prior accounting periods. Unearned reinsurance premiums are those proportions of premiums written in a year that relate to periods of risk after the reporting date.

vi) Reinsurance contract liabilities

Reinsurance contract liabilities include the outstanding claims provision and the provision for unearned premium. Reinsurance contract liabilities are recognised when contracts are entered into and premiums are charged.

Provision for outstanding claims

Provision for outstanding claims is recognized at the date the claims are known and covers the liability for losses and loss adjustment expenses based on loss reports from independent loss adjusters and management's best estimate.

Claims provision also includes liability for claims incurred but not reported as at the reporting date. The liability is calculated at the reporting date using a range of historic trends, empirical data and standard actuarial claim projection techniques. The current assumptions may include a margin for adverse deviations. The liability is not discounted for the time value of money.

Unexpired risks reserve

The provision for unearned premiums represents that portion of premiums received or receivable, after deduction of the reinsurance share, which relates to risks that have not yet expired at the reporting date. The provision is recognised when contracts are entered into and premiums are charged, and is brought to account as premium income over the term of the contract in accordance with the nature and type of reinsurance contract written by the Company.

Reinsurance contract liabilities are derecognised when the contract expires, discharged or cancelled by any party to the insurance contract.

At each reporting date, the Company reviews its unexpired risk and a liability adequacy test is performed in accordance with IFRS 4 to determine whether there is any overall excess of expected claims and deferred acquisition costs over unearned premiums. This calculation uses current estimates of future contractual cash flows after taking account of the investment return expected to arise on assets relating to the relevant non-life insurance technical provisions. If these estimates show that the carrying amount of the unearned premiums (less related deferred acquisition costs) is inadequate, the deficiency is recognised in the income statement by setting up a provision for premium deficiency.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

b) Reinsurance operations (continued)

vii) Gross claims paid
Gross claims paid include all claims paid during the year and the related external claims handling costs that are directly related to the processing and settlement of claims.

viii) Commission earned and paid
Commissions earned and paid are recognized at the time the policies are underwritten or deferred and amortised over the same period over which the corresponding premiums are recognised in accordance with the earning pattern of the underlying reinsurance contract.

c) Investment activities

The Group classifies its investments into financial assets at fair value through profit or loss and available for sale financial assets. The classification depends on the purpose for which the investments were acquired or originated.

i) Non-derivative financial instruments
All investments are initially recognised at cost, being the fair value of the consideration given including acquisition charges associated with the investment.

Financial assets at fair value through profit or loss (Held for trading)
Financial assets at fair value through profit or loss include financial assets held for trading and those designated upon initial recognition at fair value through profit or loss. Investments typically bought with the intention to sell in the near future are classified as held for trading. These investments are carried at fair value (marked to market) with any gain or loss arising from the change in fair value included in the profit or loss in the year in which it arises.

Available for sale – Quoted
Subsequent to initial recognition, investments which are classified “available for sale - quoted” are re-measured at fair value. The unrealised gains and losses on re-measurement to fair value are recognized in other comprehensive income and accumulated under the heading of fair value reserve until the investment is sold, collected or otherwise disposed of, or the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in the consolidated statement of income for the year.

Available for sale – Unquoted shares and private equity
The fair value of these investments cannot be reliably measured due to the nature of their cash flows, these investments are therefore carried at cost less any provision for impairment.

ii) Fair value reserve
This represents the unrealised gain or loss of the year-end fair valuation of available for sale investments. In the event of a sale or impairment, the cumulative gains or losses recognised under the investments fair value reserve are included in the consolidated statement of income for the year.

iii) Investment income

Interest income
Interest income is recognised in the income statement as it accrues and is calculated by using the effective interest rate method, except for short-term receivables when the effect of discounting is immaterial.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

c) Investment activities (continued)

iii) Investment income (continued)

Dividend income
Dividend income is recognised when the right to receive the dividends is established or when received.

d) General

i) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less in the consolidated statement of financial position. The cash equivalents are readily convertible to cash.

ii) Property and equipment

Property and equipment, including owner-occupied properties, are carried at historical cost less accumulated depreciation and accumulated impairment losses. Subsequent expenditure is capitalised only when it is probable that future economic benefits associated with the expenditure will flow to the Group.

Ongoing repairs and maintenance are charged to the consolidated statement of income during the financial period they are incurred.

The assets' residual values, useful lives and method of depreciation applied are reviewed and adjusted, if appropriate, at each financial year end and adjusted prospectively, if appropriate. Impairment reviews are performed when there are indicators that the carrying value may not be recoverable. Impairment losses are recognised in the consolidated statement of income as an expense.

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognised in the consolidated statement of income in the year the asset is derecognised.

iii) Depreciation

Depreciation is provided on a straight line basis on all property and equipment and investment properties, other than freehold land which is determined to have an indefinite life. The rates of depreciation are based upon the following estimated useful lives:

Buildings	-	15 to 20 years
Furniture & fixtures	-	2 to 5 years
Motor vehicles	-	3 years

Depreciation methods, useful lives and residual values are reviewed and adjusted if appropriate at each financial year end.

iv) Impairment of non-financial assets

An assessment is made at each reporting date to determine whether there is objective evidence that an asset or group of assets is impaired. If such evidence exists, the estimated recoverable amount of that asset is determined and an impairment loss is recognized for the difference between the recoverable amount and the carrying amount. Impairment losses are recognized in the consolidated statement of income.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

d) General (continued)

v) Provisions

The Group recognizes provisions in the consolidated financial statements when the Group has a legal or constructive obligation (as a result of a past event) that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. The provision is created by charging the consolidated statement of income for any obligations as per the calculated value of these obligations and the expectation of their realisation at the reporting date.

vi) Employees' end of service benefits

Provision is made for amounts payable in respect of employees' end of service benefits based on contractual obligations or respective local labour laws of the group entities, whichever is higher, and is calculated using the employee's salary and period of service at the reporting date.

vii) Taxation

Previously, the company was subject to tax at zero percent as per QFC tax regulations applicable in Qatar. In Bermuda, there is no tax on reinsurance activities based on the tax assurance certificate issued in favour of the Company by Ministry of Finance.

viii) Share capital

The Company has issued ordinary shares that are classified as equity instruments. Incremental external
costs that are directly attributable to the issue of these shares are recognised in equity.

ix) Segment reporting

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the management to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

4. CRITICAL JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Company's accounting policies, which are described in Note 3, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimations, that management has made in the process of applying its accounting policies and that have the most significant effect on the amounts recognised in financial statements:

Classification of investments

Quoted securities are classified either held for trading or as available for sale. The Company invests substantially in quoted securities either locally or overseas and management has primarily decided to account for them for their potential long term growth rather than the short term profit basis. Consequently, such investments are recognized as available for sale rather than at fair value through profit or loss.

4. CRITICAL JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

Critical judgements in applying accounting policies (continued)

Classification of investments (continued)
Financial assets are classified as fair value through profit or loss where the assets are either held for trading or designated as at fair value through profit or loss. The Company invests in mutual and managed funds for trading purpose.

Impairment of financial assets
The Company determines whether available for sale financial assets are impaired when there has been a significant or prolonged decline in their fair value below cost. This determination of what is significant or prolonged requires considerable judgment by the management. In making this judgment and to record whether impairment occurred, the Company evaluates among other factors, the normal volatility in share price, the financial health of the investee, industry and sector performance, changes in technology and operational and financial cash flows.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the statement of financial position date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year:

Claims made under insurance contract
Claims and loss adjustment expenses are charged to income as incurred based on the estimated liability for compensation owed to contract holders or third parties damaged by the contract holders. Liabilities for unpaid claims are estimated using the input of assessments for individual cases reported to the Group and management estimations for the claims incurred but not reported. The method for making such estimates and for establishing the resulting liability is continually reviewed. Any difference between the actual claims and the provisions made are included in the statement of income in the year of settlement. As of December 31, 2016, the net estimate for unpaid claims amounted to USD 287,036 thousand (2015: USD 194,233 thousand).

For certain line of businesses (non-life), in order to estimate the liabilities, the expected loss ratios are calculated for all underlying insurance contracts. The amounts estimated as the difference between the current estimated losses and the reported loses are set aside as the incurred but not reported reserve for the losses that have been incurred but which are not yet known or have still to be reported.

Impairment of insurance and other receivables
An estimate of the collectible amount of insurance and other receivables is made when collection of the full amount is no longer probable. This determination of whether these insurance and other receivables are impaired entails the Group evaluating, the credit and liquidity position of the policyholders and the insurance companies, historical recovery rates including detailed investigations carried out as at reporting date and feedback received from their legal department. The difference between the estimated collectible amount and the book amount is recognized as an expense in the statement of income. Any difference between the amounts actually collected in the future periods and the amounts expected will be recognized in the statement of income at the time of collection.

As of December 31, 2016 the net carrying values of insurance receivable and reinsurance receivables amounted to USD 586,546 thousand (2015: USD 770,677 thousand) and provision for impairment on insurance receivable and reinsurance receivable amounted to USD 355 thousand (2015: USD 355 thousand).

4. CRITICAL JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

Key sources of estimation uncertainty (continued)

Liability adequacy test
At each reporting, liability adequacy tests are performed to ensure the adequacy of insurance contract liabilities. The Group makes use of the best estimates of future contractual cash flows and claims handling and administration expenses, as well as investment income from the assets backing such liabilities in evaluating the adequacy of the liability. Any deficiency is immediately charged to the statement of income.

5. CASH AND CASH EQUIVALENTS

	2016	2015
	USD ('000)	USD ('000)
Cash in hand and bank balances	**65,195**	27,035
Time deposits (with original maturity of less than 3 months)	**652,503**	292,664
	717,698	319,699

The average interest rate on time deposits is 2.27% (2015: 1.77%) per annum.

6. PREMIUMS AND OTHER RECEIVABLES

	2016	2015
	USD ('000)	USD ('000)
Premiums receivables		
Due from insurance companies	**586,901**	771,032
Provision for bad and doubtful receivables	**(355)**	(355)
	586,546	770,677
Other receivables		
Deferred commission	**144,112**	144,018
Deposit premium/Funds withheld	**334,695**	68,413
Accrued income	**6,972**	3,953
Prepayments	**676**	473
Local debtors	**185**	132
Advances against indemnity	**67**	38
Others receivables	**512**	300
	487,219	217,327
	1,073,765	988,004

7. REINSURANCE CONTRACT LIABILITIES AND REINSURANCE CONTRACT ASSETS

	2016	2015
	USD ('000)	USD ('000)
Gross reinsurance contract liabilities		
Claims reported unsettled	**485,174**	181,559
Claims incurred but not reported	**477,130**	423,567
Unearned premiums	**646,381**	636,164
	1,608,685	1,241,290
Retrocedants share of reinsurance contract liabilities		
Claims reported unsettled	**338,859**	118,966
Claims incurred but not reported	**336,409**	291,927
Unearned premiums	**454,559**	444,248
	1,129,827	855,141
Net reinsurance contract liabilities		
Claims reported unsettled	**146,315**	62,593
Claims incurred but not reported	**140,721**	131,640
Unearned premiums	**191,822**	191,916
	478,858	386,149

Movements in claims provision during the year are as follows:

	2016			2015		
	Reinsurance contract liabilities	**Retrocedant's share**	**Net**	Reinsurance contract liabilities	Retrocedant's share	Net
	USD ('000)	**USD ('000)**	**USD ('000)**	USD ('000)	USD ('000)	USD ('000)
As at January 1,	**605,126**	**410,893**	**194,233**	246,338	145,324	101,014
Claims incurred during the year	**807,333**	**575,964**	**231,369**	554,504	388,873	165,631
Claims paid during the year	**(450,155)**	**(311,589)**	**(138,566)**	(195,716)	(123,304)	(72,412)
As at December 31,	**962,304**	**675,268**	**287,036**	605,126	410,893	194,233

Movements in provision **for unearned premium during the year are as follows:**

	2016			2015		
	Reinsurance contract liabilities	**Retrocedant's share**	**Net**	Reinsurance contract liabilities	Retrocedant's share	Net
	USD ('000)	**USD ('000)**	**USD ('000)**	USD ('000)	USD ('000)	USD ('000)
As at January 1,	**636,164**	**444,248**	**191,916**	290,080	196,554	93,526
Premiums written during the year	**1,249,371**	**885,810**	**363,561**	1,156,203	812,777	343,426
Premiums earned during the year	**(1,239,154)**	**(875,499)**	**(363,655)**	(810,119)	(565,083)	(245,036)
As at December 31,	**646,381**	**454,559**	**191,822**	636,164	444,248	191,916

8. INVESTMENTS

	December 31, 2016	December 31, 2015 Restated
	USD ('000)	USD ('000)
Held for trading investments		
Managed funds	**11,293**	12,753
Available-for-sale investments		
Qatari public shareholding companies	**38,165**	63,017
Quoted shares - International	**11,276**	11,862
Bonds	**653,861**	634,355
Total available for sale investments – net	**703,302**	709,234
Total	**714,595**	721,987

9. PROPERTY AND EQUIPMENT

	Furniture and fixtures	**Motor vehicle**	**Total**
	USD ('000)	**USD ('000)**	**USD ('000)**
Cost			
At January 1, 2015	3,237	267	3,504
Additions during the year	1,456	--	1,456
Disposals during the year	--	(21)	(21)
At December 31, 2015	4,693	246	4,939
Additions during the year	935	--	935
Disposals during the year	--	(191)	(191)
At December 31, 2016	**5,628**	**55**	**5,683**
Accumulated depreciation			
At January 1, 2015	1,517	119	1,636
Charge during the year	852	87	939
Disposals during the year	--	(10)	(10)
At December 31, 2015	2,369	196	2,565
Charge during the year	914	34	948
Disposals during the year	--	(175)	(175)
At December 31, 2016	**3,283**	**55**	**3,338**
Net Book Value:			
At December 31, 2016	**2,345**	**-**	**2,345**
At December 31, 2015	2,324	50	2,374

10. PROVISIONS, REINSURANCE AND OTHER PAYABLES

	2016	2015
	USD ('000)	USD ('000)
Deferred commission	**100,869**	100,396
Due to reinsurance companies	**33,442**	23,762
Accrued expenses	**8,176**	11,780
Other payables:		
Employees' end of service benefits (Note 10.1)	**537**	635
Board of directors remuneration payable	**29**	--
Local creditors	**2,336**	2,203
Other credit balances	**1,010**	--
	146,399	138,776

10.1 EMPLOYEES' END OF SERVICE BENEFITS

	2016	2015
	USD ('000)	USD ('000)
Balance at the beginning of the year	**635**	502
Charge for the year	**221**	165
Adjusted during the year	**(209)**	--
Payment made during the year	**(110)**	(32)
Balance at the end of year	**537**	635

11. DUE TO RELATED PARTIES

This represents balance due to Qatar Insurance Company S.A.Q (the "ultimate parent company") and its subsidiaries for transactions which occurred during the year. Pricing policies, terms and payment for these transactions are approved by the Parent Company's management. The transactions with related parties are disclosed in Note 21.

12. SHARE CAPITAL

The authorized share capital of the Parent Company is 1,200,000 ordinary shares of USD 1.00 each (2015: 1,200,000 shares of QR 1 each).

The issued and fully paid in cash share capital is 1,000,000 ordinary shares of USD 1.00 (2015: 1,000,000 ordinary shares of QR 1 each).

The movement in the share capital of the Company is as follows:

Authorised share capital		No. of shares	Par value	Total in QR ('000)	Total in USD ('000)
73,000,000 shares of QR 10 each	As at January 1, 2014	55,491,290	QR 10	554,913	152,449
--	Issuance of rights shares	17,508,710	QR 10	175,087	48,100
73,000,000 shares of QR 10 each	As at December 31, 2014	73,000,000	QR 10	730,000	200,549
--	Issuance of rights shares (i)	12,000,000	QR 10	120,000	32,967
85,000,000 shares of QR 10 each	Share capital before change of legal domicile	85,000,000	QR 10	850,000	233,516
--	Less: Reduction in share capital (ii)	--	--	--	(148,516)
500,000,000 shares of USD 1 each	Share capital on change of legal domicile (ii)	85,000,000	USD 1	--	85,000
(498,800,000) shares of USD 1 each	Less: Reduction in share capital (iii)	(84,000,000)	USD 1	--	(84,000)
1,200,000 shares of USD 1 each	As at December 31, 2015	1,000,000	USD 1	--	1,000
1,200,000 shares of USD 1 each	**As at December 31, 2016**	**1,000,000**	**USD 1**	**--**	**1,000**

(i) During 2015, the Company issued 12,000,000 shares at a price of QR 15 (including share premium of QR 5 per share) totaling to QR 180,000 thousand (USD 49,450 thousand) to the existing shareholders as at March 31, 2015, which was fully subscribed and paid by the shareholders. The share capital increase of QR 120,000 thousand (USD 32,967 thousand) and contribution towards share premium of QR 60,000 thousand (USD 16,483 thousand) was recognized in the consolidated statement of changes in equity; after obtaining the QFC's regulatory approval to increase the authorised share capital to 85,000,000 equity shares of QR 10 each.

(ii) Pursuant to change of legal domicile to Bermuda in the year 2015, the Company modified its authorised capital to 500,000,000 equity shares of USD 1 each. Immediately after the change in legal jurisdiction, the paid up share capital of the Company stood at 85,000,000 shares of USD 1 each. Additional paid up capital amounting to USD 148,516 (thousand) was cancelled and transferred to "Contributed Surplus" account in the consolidated statement of changes in equity.

(iii) On December 31, 2015, the authorised share capital of the Company reduced from 500,000,000 equity shares of USD 1 each to 1,200,000 equity shares of USD 1 each. On the same date, the issued and paid up share capital of the Company reduced to 1,000,000 equity shares of USD 1 each. Additional paid up capital cancelled amounting to USD 84,000 thousand is transferred to "Contributed Surplus" account in the consolidated statement of changes in equity.

12. SHARE CAPITAL (CONTINUED)

(iv) On November 28, 2016, the shareholder of the Company contributed additional capital of USD 200,000,000 into the Company

13. SHARE PREMIUM

The share premium reflects the amount received in excess of the par value of the shares issued. In 2015, the amount is fully transferred to “Contributed Surplus” account in the consolidated statement of changes in equity.

14. FAIR VALUE RESERVE

The fair value reserve arose from the revaluation of available for sale investments as per the accounting policies detailed in Note 3.

15. SEGMENT INFORMATION

a) Segment information

For management reporting purposes, the Company is organized into two business segments – Marine Aviation and Fire and General. These segments are the basis on which the Group reports its operating segment information. No operating segments have been aggregated in arriving at the reportable segment of the Group.

Segment statement of income for the year ended December 31, 2016

	Marine and Aviation	**Property and Casualty**	**Total Underwriting**	**Investments**	**Un-allocated (Expenses)/ Income**	**Total**	***The Group's – Dubai Branch Performance included in Total****
Gross written premiums	**94,709**	**1,154,662**	**1,249,371**	**--**	**--**	**1,249,371**	**54,709**
Premiums ceded to reinsurers	**(72,501)**	**(813,309)**	**(885,810)**	**--**	**--**	**(885,810)**	**(40,606)**
Net premiums	**22,208**	**341,353**	**363,561**	**--**	**--**	**363,561**	***14,103***
Movement in net unexpired premium reserve	**(4,839)**	**(7,480)**	**(12,319)**	**--**	**--**	**(12,319)**	***(7079)***
Net earned premiums	**17,369**	**333,873**	**351,242**	**--**	**--**	**351,242**	***7,024***
Gross claims paid	**(15,176)**	**(434,979)**	**(450,155)**	**--**	**--**	**(450,155)**	***(1,875)***
Reinsurance recoveries	**9,592**	**301,997**	**311,589**	**--**	**--**	**311,589**	***1,551***
Movement in net outstanding claims	**(8,487)**	**(108,979)**	**(117,466)**	**--**	**--**	**(117,466)**	***(5,305)***
Commission income	**10,938**	**209,103**	**220,041**	**--**	**--**	**220,041**	***6,658***
Commission expense	**(11,859)**	**(249,363)**	**(261,222)**	**--**	**--**	**(261,222)**	***(6,080)***
Net underwriting results	**2,377**	**51,652**	**54,029**	**--**	**--**	**54,029**	***1,973***
Investment income			**--**	**36,293**	**455**	**36,748**	**--**
Finance costs			**--**	**(4,057)**	**--**	**(4,057)**	**--**
Net investment income			**--**	**32,236**	**455**	**32,691**	**--**
Total income			**54,029**	**32,236**	**455**	**86,720**	***1,973***
Operating and administrative expenses			**--**	**--**	**(47,726)**	**(47,726)**	***(3660)***
Depreciation			**--**	**--**	**(948)**	**(948)**	***(21)***
Segment results			**54,029**	**32,236**	**(48,219)**	**38,046**	***(1,708)***

15. SEGMENT INFORMATION (CONTINUED)

a) Segment information (continued)

Segment statement of income for the period ended December 31, 2015

	Marine and Aviation	Property and Casualty	Total Underwriting	Investments	Un-allocated (Expenses)/ Income	Total	The Group's – Dubai Branch Performance included in Total*
	USD ('000)	USD ('000)	USD ('000)	USD ('000)	USD ('000)	USD ('000)	USD ('000)
Gross written premiums	39,974	1,116,229	1,156,203	--	--	1,156,203	1,076
Premiums ceded to reinsurers	(28,403)	(784,374)	(812,777)	--	--	(812,777)	(660)
Net premiums	11,571	331,855	343,426	--	--	343,426	416
Movement in net unexpired premium reserve	(381)	(98,009)	(98,390)	--	--	(98,390)	(407)
Net earned premiums	11,190	233,846	245,036	--	--	245,036	9
Gross claims paid	(15,560)	(180,156)	(195,716)	--	--	(195,716)	--
Reinsurance recoveries	9,579	113,725	123,304	--	--	123,304	--
Movement in net outstanding claims	(4,160)	(89,059)	(93,219)	--	--	(93,219)	(5)
Commission income	5,462	142,927	148,389	--	--	148,389	54
Commission expense	(5,372)	(157,690)	(163,062)	--	--	(163,062)	(5)
Net underwriting results	1,139	63,593	64,732	--	--	64,732	53
Investment income			--	12,610	274	12,884	--
Finance costs			--	(2,211)	--	(2,211)	
Net investment income			--	10,399	274	10,673	--
Total income			64,732	10,399	274	75,405	
Operating and administrative expenses			--	--	(49,483)	(49,483)	(169)
Depreciation			--	--	(939)	(939)	
Segment results			64,732	10,399	(50,148)	24,983	(116)

Assets and liabilities of the Group are commonly used across the operating segments.

16. NET INVESTMENT INCOME

	2016	2015
	USD ('000)	USD ('000)
Interest income	**37,975**	22,283
Dividends	**3,855**	1,873
Advisory fee	**(2,606)**	(1,704)
Gain / (loss) on sale of available for sale financial assets	**2,449**	(1,528)
Impairment losses on investments	**--**	(8,155)
Other gains / (losses)	**(4,925)**	115
	36,748	12,884
Less: Finance costs	**(4,057)**	(2,211)
Net Investment income	**32,691**	10,673

17. OPERATING AND ADMINISTRATIVE EXPENSES

	2016	2015
	USD ('000)	USD ('000)
Employees related costs	**33,484**	30,986
Rental expenses	**3,411**	2,796
Maintenance & IT expenses	**3,180**	2,845
Professional fees	**1,812**	1,277
Travel expenses	**2,993**	1,120
Board of directors' remuneration (Note 18)	**326**	824
Miscellaneous expenses	**2,520**	9,635
	47,726	49,483

18. BOARD OF DIRECTORS' REMUNERATION

In accordance with the Articles of Association of the Parent Company, the Board of Directors' remuneration for the year 2016 has been proposed at USD 326 thousand (2015: USD 824 thousand).

19. CONTRIBUTED SURPLUS

The Contributed Surplus recognised in the consolidated statement of changes in equity is distributable to the shareholders as a dividend in the normal course of business, subject to certain restrictions and provisions in this respect in Bermuda Companies Act 1981. The Contributed Surplus as at yearend comprises of the following:

	2016	2015
	USD (‘000)	USD (‘000)
(i) On cancellation of shares after change in legal domicile	**251,651**	251,651
(ii) On merger of Antares Re business as on December 31, 2015	**243,717**	243,717
(iii)Contribution from Parent Company during the year	**200,000**	--
	695,368	495,368

20. SHORT TERM BORROWINGS

	2016	2015
	(USD ‘000)	(USD ‘000)
Borrowings against fixed income securities	**384,392**	416,412

As of December 31, 2016 and 2015, interest expense related to this short term borrowing amounted to USD 4,057 thousand and USD 2,211 thousand, respectively.

21. RELATED PARTIES

a) Transaction with related parties

These represent transaction with related parties. Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions and directors of the Group and companies of which they are key management personnel. Pricing policies and terms of these transactions are approved by the Group’s management and are negotiated under normal commercial terms.

Significant related party transactions were:

	2016	2015
	USD (‘000)	USD (‘000)
Reinsurance premium to QIC	**839,149**	790,240
Reinsurance recoveries	**310,204**	115,740
Commission from QIC	**213,508**	186,839

21. RELATED PARTIES (CONTINUED)

b) Compensation of key management personnel

	2016	2015
	USD('000)	USD('000) (Restated)
Salaries and other short term benefits	**1,981**	1,562
Employees' end of service benefits	**154**	195
Total	**2,135**	1,757

Outstanding related party balances at reporting date are unsecured and interest free. Also, the Board of Directors' remuneration proposed for the year ended December 31, 2016 is detailed in Note 18.

22. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Group in the normal course of its business derives its revenue mainly from assuming and managing insurance and investments risks for profit. The Group is mainly exposed to the following risks;

- Insurance risk,
- Credit risk,
- Liquidity risk,
- Market risk and
- Operational and systems risk

The Group has designed, established and maintains a robust and effective risk framework that is used in the implementation of the strategic objectives and business plan. The framework provides a basis for understanding the risks the Group is exposed to and its ability to identity, assess, control and mitigate them.

a) Governance framework

Risk appetite is set by the Board and takes into account responsibilities to the shareholder, policyholders and other stakeholders. Management are authorized to operate within defined appetite, subject to various authorities and controls.

(b) Capital management framework

The Group is subject to both internal and regulator imposed capital requirements. During the period, the Group has complied with internal capital requirements and those mandated by applicable regulators. The external capital requirements are those prescribed by the Bermuda Monetary Authority notably the Enhanced Capital Requirement; and those required in relation to our branches in Dubai and Singapore. The Group has not applied for any variations to the standard method of calculation in any jurisdiction.

22. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

(c) Risk Management framework

An overall risk management framework is deployed by the Group which considers risk and controls in the context of overall risk appetite. This considers the frequency and severity of identified risks along with qualitative factors and determines the residual risk exposure. For the main financial risk areas (insurance, market, credit) additional quantitate techniques are used to manage exposures against the specific risk appetite.

(d) Insurance risk

The principal risk the Group faces under insurance contracts is that the actual claims and benefit payments or the timing thereof, differ from expectations. This is influenced by the frequency of claims, severity of claims, actual compensation paid and subsequent development of long-term claims. Therefore the objective of the Group is to ensure that sufficient reserves are available to cover these liabilities.

The Group manages the insurance risk through the careful selection and implementation of its underwriting strategy and guidelines together with the adequate reinsurance arrangements and proactive claims handling.

The Group principally issues general insurance contracts which mainly constitute marine and aviation, and property and casualty lines of business.

The concentration of insurance risk exposure is mitigated by careful selection and implementation of the underwriting strategy of the Group, Underwriting limits are in place to enforce risk selection criteria and an exposure management framework limits exposure to peak peril zones within the context of defined risk appetite.

22. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

(d) Insurance risk (continued)

The Group, in the normal course of business, in order to minimise financial exposure arising from large claims, enters into contracts with other parties for reinsurance purposes. Such reinsurance arrangements provide for greater diversification of business, allow management to control exposure to potential losses arising from large risks, and provide additional capacity for growth. A significant portion of the reinsurance is affected under quota share arrangements, treaty, facultative and excess-of-loss reinsurance contracts. Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision and are in accordance with the reinsurance contracts.

Although the Group has reinsurance arrangements, it is not relieved of its direct obligations to its policyholders and thus a credit exposure exists with respect to ceded insurance, to the extent that any reinsurer is unable to meet its obligations assumed under such reinsurance agreements.

The Group has in place strict claim review policies to assess all new and ongoing claims. The Group further enforces a policy of actively managing and prompt pursuing of claims, in order to reduce its exposure to unpredictable future developments that can negatively impact the Group.

Key assumptions
The principal assumption underlying the liability estimates is that the Group's future claims development will follow a similar pattern to past claims development experience. This includes assumptions in respect of average claim costs, claim handling costs, claim inflation factors and claim numbers for each accident year. Additional qualitative judgments are used to assess the extent to which past trends may not apply in the future, for example one-off occurrence changes in market factors such as public attitude to claiming, economic conditions, as well as internal factors such as portfolio mix, policy conditions and claims handling procedures. Judgment is further used to assess the extent to which external factors such as judicial decisions and government legislation affect the estimated. Other key circumstances affecting the reliability of assumptions include variation in interest rates, delays in settlement and changes in foreign currency rates.

Sensitivities
The general insurance claims provisions are sensitive to the key assumptions shown below. It has not been possible to quantify the sensitivity of certain assumptions such as legislative changes or uncertainty in the estimation process.

The analysis below is performed for possible movements in key assumptions with all other assumptions held constant, showing the impact on gross and net liabilities, net profit and equity.

	Change in assumptions	**Impact on liabilities**	**Impact on net profit**	**Impact on equity**
		USD ('000)	**USD ('000)**	**USD ('000)**
December 31, 2016				
Incurred claim cost	10%	**25,603**	**(25,603)**	**--**
Incurred claim cost	-10%	**(25,603)**	**25,603**	**--**
December 31, 2015				
Incurred claim cost	10%	16,563	(16,563)	--
Incurred claim cost	-10%	(16,563)	16,563	--

22. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

(d) Insurance risk (continued)

Claims development table

The Group maintains reserves in respect of its insurance business in order to protect against adverse future claims experience and developments. The following tables show the estimates of cumulative incurred claims, including both claims notified and IBNR for each successive accident year at each reporting date, together with cumulative payments to date. The top half of each table below illustrates how the Group's estimate of total claims outstanding for each accident year has changed at successive year-ends. The bottom half of the table reconciles the cumulative claims to the amount appearing in the consolidated statement of financial position.

With the exception of the proportional and non-proportional reinsurance business, an accident-year basis is considered to be most appropriate for the business written by the Group. Given the nature of reinsurance claims and the difficulties in identifying an accident year for each reported claim, these claims are reported separately and aggregated by reporting year (reporting year basis) – that is, with reference to the year in which the Group was notified of the claims. This presentation is different from the basis used for the claims development tables for the other insurance claims and entities of the Group, where the reference is to the actual date of the event that caused the claim (accident-year basis).

Accident year	2013	2014	2015	2016	Total
At end of accident year	139,608	241,753	517,004	882,718	
One year later	135,449	277,443	440,937	--	
Two years later	137,259	279,991	--	--	
Three years later	132,383	--	--	--	
Four years later	--	--	--	--	
Five years later	--	--	--	--	
Current estimate of cumulative claims incurred	**132,383**	**279,991**	**440,937**	**882,718**	**1,736,029**
Cumulative payments to date	(91,247)	(151,779)	(247,835)	(282,864)	(773,725)
Total net outstanding claims provision	**41,136**	**128,212**	**193,102**	**599,854**	**962,304**
Current estimate of surplus/(deficiency)	7,225	(38,238)	76,067		
% Surplus/ (deficiency) of initial gross reserve	5%	-16%	15%		

22. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

(e) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss to the other party by failing to discharge an obligation. The following policies and procedures are in place to mitigate the Group's exposure to credit risk:

A credit risk policy setting out the assessment and determination of what constitutes credit risk for the Group has been established and policies and procedures are in place to mitigate the Group's exposure to credit risk:

- Compliance with the receivable management policy is monitored and exposures and breaches are regularly reviewed for pertinence and for changes in the risk environment.

- For all classes of financial assets held by the Group, other than those relating to reinsurance contracts, the maximum credit risk exposure to the Group is the carrying value as disclosed in the consolidated financial statements at the reporting date.

- Reinsurance is placed with reinsurers approved by the management. To minimise its exposure to significant losses from reinsurer insolvencies, the Group evaluates the financial condition of its reinsurers and monitors concentrations of credit risk arising from similar geographic regions, activities or economic characteristics of the reinsurers.

To minimize its exposure to significant losses from reinsurer insolvencies, the Group evaluates the financial condition of its reinsures and monitors concentrations of credit risk arising from similar geographic regions, activities or economic characteristics of the reinsures.

At each reporting date, management performs an assessment of creditworthiness of reinsurers and updates the reinsurance purchase strategy, ascertaining suitable allowance for impairment.

Age analysis of financial assets as at the yearend is as follows:

December 31, 2016

	< 30 days	31 to 60 days	61 to 90 days	91 to 120 days	Above 120 days	Total
	USD ('000)	USD ('000)	USD ('000)	USD ('000)	USD ('000)	USD ('000)
Cash and cash equivalents	438,792	278,906	--	--	--	717,698
Premiums and other receivables	866,784	7,474	3,111	3,097	40,960	921,426
	1,305,576	286,380	3,111	3,097	40,960	1,639,124

22. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

(e) Credit risk (continued)

December 31, 2015

	< 30 days	31 to 60 days	61 to 90 days	91 to 120 days	Above 120 days	Total
	USD ('000)	USD ('000)	USD ('000)	USD ('000)	USD ('000)	USD ('000)
Cash and cash equivalents	150,357	84,084	85,258	--	--	319,699
Premiums and other receivables	729,213	8,866	429	6,398	94,316	839,222
	879,570	92,950	85,687	6,398	94,316	1,158,921

Impaired financial assets

At December 31, 2015 there are impaired insurance and other receivables of USD 355 thousand (2014: USD 355 thousand). For assets to be classified as "past–due and impaired" contractual payments must be in arrears for more than 90 days. No collateral is held as security for any past due or impaired assets.

The Group records all impairment allowances for loans and receivables in a separate impairment allowance account. A reconciliation of the allowance for impairment losses for loans and receivables is as follows:

	2016	2015
	USD ('000)	USD ('000)
At January 1,	**355**	355
Charged during the year	**--**	--
At December 31, (Note 6)	**355**	355

(f) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in raising funds to meet commitments associated with financial liabilities. At an overall level, the Group's defined risk appetite is such that we maintain sufficient liquidity to pay two 1 in 250 year events in any year. We also manage our average duration of assets to be no longer than our average duration of liabilities.

At an operational level liquidity requirements are monitored on a daily/weekly/monthly basis and management ensures that sufficient funds are available to meet any commitments as they arise.

Maturity profiles
The table below summarizes the maturity profile of the financial assets and financial liabilities of the Group based on remaining undiscounted contractual obligations, including interest payable and receivable. For insurance contracts liabilities and reinsurance contract assets, maturity profiles are determined based on estimated timing of net cash outflows from the recognized insurance liabilities. Unearned premiums and the reinsurer's share of unearned premiums have been excluded from the analysis as they are not contractual obligations.

22. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

(f) Liquidity risk (continued)

	Up to a year	1 to 5 years	Over 5 years	Total
	USD ('000)	USD ('000)	USD ('000)	USD ('000)
December 31, 2016				
Financial assets : Non derivatives				
Available-for-sale investments -				
Debt securities	**266,834**	**44,893**	**342,134**	**653,861**
Qatari Public shareholding companies	**38,165**	**--**	**--**	**38,165**
Quoted shares - International	**11,276**	**--**	**--**	**11,276**
Held for trading investments -				
Managed Funds	**11,293**	**--**	**--**	**11,293**
Premiums and other receivables	**198,579**	**721,889**	**958**	**921,426**
Reinsurance contract assets	**45,242**	**555,746**	**74,280**	**675,268**
Cash and cash equivalents	**717,698**	**--**	**--**	**717,698**
	1,289,087	**1,322,528**	**417,372**	**3,028,987**

	Up to a year	1 to 5 years	Over 5 years	Total
	USD ('000)	USD ('000)	USD ('000)	USD ('000)
December 31, 2016				
Financial liabilities : Non derivatives				
Reinsurance and other payables	**45,530**	**--**	**--**	**45,530**
Short term borrowings	**384,392**	**--**	**--**	**384,392**
Due to related parties	**124,989**	**601,157**	**855**	**727,001**
Reinsurance contract liabilities	**245,388**	**627,422**	**89,494**	**962,304**
	800,299	**1,228,579**	**90,349**	**2,119,227**

22. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

(f) Liquidity risk (continued)

Maturity profiles (continued)

December 31, 2015	Up to a year USD ('000)	1 to 5 years USD ('000)	Over 5 years USD ('000)	Total USD ('000)
Financial assets : Non derivatives				
Available-for-sale investments -				
Debt securities	70,053	315,510	248,792	634,355
Qatari Public shareholding companies	63,017	--	--	63,017
Quoted shares - International	11,862	--	--	11,862
Held for trading investments -				
Managed Funds	12,753	--	--	12,753
Premiums and other receivables	678,083	131,448	29,691	839,222
Reinsurance contract assets	131,269	207,423	72,201	410,893
Cash and cash equivalents	319,699	--	--	319,699
	1,286,736	654,381	350,684	2,291,801

December 31, 2015	Up to a year USD ('000)	1 to 5 years USD ('000)	Over 5 years USD ('000)	Total USD ('000)
Financial liabilities : Non derivatives				
Reinsurance and other payables	26,751	--	--	26,751
Short term borrowings	416,412	--	--	416,412
Due to related parties	446,182	92,013	20,784	558,979
Reinsurance contract liabilities	193,321	305,473	106,332	605,126
	1,082,666	397,486	127,116	1,607,268

(g) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual security, or its issuer, or factors affecting all securities traded in the market. The Group limits market risk by maintaining a diversified portfolio and by continuous monitoring of developments in equity and bond markets. In addition, The Group actively monitors the key factors that affect stock and bond market movements, including analysis of the operational and financial performance of investees.

i) Currency risk

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

22. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

(g) Market risk (continued)

i) Currency risk (continued)

The table below summarizes the Group's exposure to foreign currency exchange rate risk at reporting date by categorizing assets and liabilities by major currencies.

December 31, 2016

	QR USD ('000)	**EURO USD ('000)**	**GBP USD ('000)**	**Others* USD ('000)**	**Total USD ('000)**
Cash and cash equivalents	**654,070**	**6,830**	**1,365**	**55,433**	**717,698**
Premiums and other receivables	**130**	**69,531**	**560,262**	**443,842**	**1,073,765**
Investments	**38,165**	**--**	**--**	**676,430**	**714,595**
Total Assets	**692,365**	**76,361**	**561,627**	**1,175,705**	**2,506,058**
Provisions, reinsurance and other payables	**676**	**12,649**	**45,084**	**87,990**	**146,399**
Short term borrowings	**--**	**--**	**--**	**384,392**	**384,392**
Total Liabilities	**676**	**12,649**	**45,084**	**472,382**	**530,791**

December 31, 2015

	QR USD ('000)	EURO USD ('000)	GBP USD ('000)	Others* USD ('000)	Total USD ('000)
Cash and cash equivalents	292,554	1,532	5,609	20,004	319,699
Premiums and other receivables	--	90,963	470,527	426,514	988,004
Investments	63,017	--	305	658,665	721,987
Total Assets	355,571	92,495	476,441	1,105,183	2,029,690
Provisions, reinsurance and other payables	--	15,059	46,451	77,266	138,776
Short term borrowings	--	--	--	416,412	416,412
Total Liabilities	--	15,059	46,451	493,678	555,188

*Others mainly represents exposure in reporting currency-United States Dollars.

22. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

(g) Market risk (continued)

i) Currency risk (continued)

The analysis that follows is performed for reasonably possible movements in key variables with all other variables held constant, showing the impact on profit before tax and equity due to changes in the fair value of currency sensitive monetary assets and liabilities including insurance contract claim liabilities. The correlation of variables will have a significant effect in determining the ultimate impact on market risk, but to demonstrate the impact due to changes in variables, variables had to be changed on an individual basis.

		Impact on profit or loss	
	Changes in variables	**December 31, 2016**	December 31, 2015
Currency		**USD ('000)**	USD ('000)
Euro	+10%	**2,709**	5,479
GBP	+10%	**17,666**	20,689
		20,375	26,168
Euro	-10%	**(2,709)**	(5,479)
GBP	-10%	**(17,666)**	(20,689)
		(20,375)	(26,168)

The method used for deriving sensitivity information and significant variables did not change from the previous period.

ii) Interest rate risk

Interest rate risk is the risk that the value of future cash flows from a financial instrument will fluctuate because of changes in market interest rates.

The Group invests in securities and has deposits that are subject to interest rate risk. Interest rate risk to the Group is the risk of changes in market interest rates reducing the overall return on its interest bearing securities.

The Group's interest risk policy requires managing interest rate risk by maintaining an appropriate mix of fixed and variable rate instruments. The policy also requires it to manage the maturities of interest bearing financial assets and interest bearing financial liabilities.

The Group limits interest rate risk by monitoring changes in interest rates in the currencies in which its cash and investments are denominated and has no significant concentration of interest rate risk.

22. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

(g) Market risk (continued)

ii) Interest rate risk (continued)

The analysis below is performed for reasonably possible movements in key variables with all other variables held constant, showing the impact on profit or loss and equity.

Currency	Changes in variables	**December 31, 2016** Impact on profit or loss (USD '000)	**December 31, 2016** Impact on equity (USD '000)	December 31, 2015 Impact on profit or loss (USD '000)	December 31, 2015 Impact on equity (USD '000)
Qatari Riyals	+50 basis points	**1,341**	**(10,789)**	91	(4,752)
Qatari Riyals	-50 basis points	**(1,341)**	**10,789**	(91)	4,752

The Group's interest rate risk based on contractual arrangements is as follows:

December 31, 2016

	Up to 1 year (USD '000)	**1 to 5 years (USD '000)**	**Over 5 years (USD '000)**	**Total (USD '000)**	**Effective interest rate (%)**
Cash and cash equivalents	**717,698**	**--**	**--**	**717,698**	**2.27%**
Investments	**266,834**	**44,893**	**342,134**	**653,861**	**3.90%**
	984,532	**44,893**	**342,134**	**1,371,559**	
Short term borrowings	**384,392**	**--**	**--**	**--**	

December 31, 2015

	Up to 1 year (USD'000)	1 to 5 years (USD '000)	Over 5 years (USD '000)	Total (USD '000)	Effective interest rate (%)
Cash and cash equivalents	319,699	--	--	319,699	1.77%
Investments	70,053	315,510	248,792	634,355	4.92%
	389,752	315,510	248,792	954,054	
Short term borrowings	416,412	--	--	--	

22. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

(g) Market risk (continued)

iii) ***Price risk (continued)***

Price risk is the risk that the fair value of or income from a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The Group's equity price risk exposure relates to financial assets and financial liabilities whose values will fluctuate as a result of changes in market prices, principally investment securities not held for the account of unit-linked business. The Group's price risk policy requires it to manage such risks by setting and monitoring objectives and constraints on investments, diversification plans, limits on investments in each country, sector and market and careful and planned use of derivative financial instruments. The Group has no significant concentration of price risk.

The analysis below is performed for reasonably possible movements in key variables with all other variables held constant, showing the impact on profit or loss and equity.

		December 31, 2016		December 31, 2015	
	Changes in variables	**Impact on profit or loss**	**Impact on equity**	Impact on profit or loss	Impact on equity
		(USD '000)	**(USD '000)**	(USD '000)	(USD '000)
Qatar Market	+10%	**--**	**3,817**	--	6,302
International Markets	+10%	**1,129**	**1,128**	1,275	1,186
Qatar Market	-10%	**--**	**(3,817)**	--	(6,302)
International Markets	-10%	**(1,129)**	**(1,128)**	(1,275)	(1,186)

The method used for deriving sensitivity information and significant variables did not change from the previous period.

(h) Operational and systems risk

Operational risk is the risk of loss arising from system failure, human error, fraud or external events. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications or can lead to financial loss. The Group cannot expect to eliminate all operational risks, but by initiating a rigorous control framework and by monitoring and responding to potential risks, the Group is able to manage the risks.

The Group has detailed systems and procedures manuals with effective segregation of duties, access controls, authorisation and reconciliation procedures, staff training and assessment processes etc. with a compliance and internal audit framework. Business risks such as changes in environment, technology and the industry are monitored through the Group's strategic planning and budgeting process.

22. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

(i) Capital management

Objectives are set by the Company to maintain a strong credit rating and healthy capital ratios in order to support its business objectives and maximise shareholders value.

The Company manages its capital requirements by assessing shortfalls between reported and required capital levels on a regular basis. The Company fully complied with the externally imposed capital requirements during the reported financial year and no changes were made to its capital base, objectives, policies and processes from the previous year.

(j) Classifications and fair values

The following table compares the fair values of the financial instruments to their carrying values:

	December 31, 2016		December 31, 2015	
	Carrying amount	**Fair value**	Carrying amount	Fair value
	USD ('000)	**USD ('000)**	USD ('000)	USD ('000)
Cash and cash equivalents	**717,698**	**717,698**	319,699	319,699
Loans and receivables:				
Premiums and other receivables	**921,426**	**921,426**	839,222	839,222
Reinsurance contract assets	**675,268**	**675,268**	410,893	410,893
Investments:				
Held for trading	**11,293**	**11,293**	12,753	12,753
Available for sale investments	**703,302**	**703,302**	709,234	709,234
	3,028,987	**3,028,987**	2,291,801	2,291,801
Reinsurance and other payables	**45,530**	**45,530**	26,751	26,751
Short term borrowings	**384,392**	**384,392**	416,412	416,412
Due to related parties	**727,001**	**727,001**	558,979	558,979
Insurance contract liabilities	**962,304**	**962,304**	605,126	605,126
	2,119,227	**2,119,227**	1,607,268	1,607,268

23. DETERMINATION OF FAIR VALUE AND FAIR VALUES HIERARCHY

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy. The different levels have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices)
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs)

23. DETERMINATION OF FAIR VALUE AND FAIR VALUES HIERARCHY (CONTINUED)

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy:

	Level 1	Level 2	Level 3	Total fair value
	USD ('000)	USD ('000)	USD ('000)	USD ('000)
December 31, 2016				
Held for trading	**--**	**11,293**	**--**	**11,293**
Available for sale	**703,302**	**--**	**--**	**703,302**
	703,302	**11,293**	**--**	**714,595**
December 31, 2015				
Held for trading	--	12,753	--	12,753
Available for sale	709,234	--	--	709,234
	709,234	12,753	--	721,987

24. BUSINESS COMBINATION UNDER COMMON CONTROL

With effect from December 31, 2015, the Company merged the business with Antares Reinsurance Limited (a Bermudan company with registration number of EC 40716), a fully owned subsidiary of Antares Holding Limited UK. Antares Holding Limited UK, in turn, owned by Qatar Insurance Company SAQ, the ultimate Parent Company of the Group. The regulatory approval of this merger was granted on January 25, 2016 with an effective date of merger on December 31, 2015. The transaction is considered as transaction under "common control" as the control of the Company and Antares Reinsurance Limited vested with Qatar Insurance Company SAQ. Accordingly, there is no goodwill or gain on bargain purchase recognised by the Group.
The book value of the identifiable assets and liabilities of Antares Reinsurance Limited as at the date of merger were the following:

	As at December 31, 2015
	USD ('000)
Assets	
Cash and cash equivalents	33,250
Insurance and other receivables	91,230
Investments	126,539
Total assets	251,019
Liability	
Provisions, reinsurance and other payables	7,302
Total liability	7,302
Book value of net assets merged with the Parent Company	243,717

Net book value of assets transferred to the Parent Company is recognised as "Contributed Surplus" account in the equity. The net cash inflow to the Group out of this merger transaction is USD 33,250 thousand.

25. COMPARATIVE FIGURES AND RESTATEMENT OF PRIOR YEARS' FINANCIAL INFORMATION

The financial statements for the year ended December 31, 2015 have been restated and the impact is set out below. Apart from the restatement, certain comparative figures have been reclassified to conform to current year presentation and have no impact on the previously reported profit or equity position of the Group.

Investments and Short Term Borrowings

As part of the Group's margin trading strategy, the Group uses borrowings to finance its fixed income securities. The Group previously followed an accounting policy whereby borrowings were offset against the total fixed income investments in the presentation of its financial statements.

In 2016, the Group has adapted certain clarifications issued by IASB on IAS 32 Financial Instruments: Presentation whereby it presented fixed income investments and borrowings on a gross basis on the face of the statement of financial position and due to the principle of consistency, comparability and requirements of IAS 8, the prior year's figures have been restated. The aforementioned restatement does not have any financial impact on the Group's net income, earnings per share, retained earnings, total equity, and OCI for the period or the Group's operating, investing and financing cash flows.

The above matters (i) has been reclassified by restating each of the affected financial statements line items for the prior period as follows:

	As at December 31, 2015 (USD'000)		
	As reported previously	Adjustment	Restated
Statement of financial position items:			
Investments (i)	305,575	416,412	721,987
Short term borrowings (i)	--	416,412	416,412

QATAR REINSURANCE COMPANY LIMITED
(PREVIOUSLY KNOWN AS QATAR REINSURANCE COMPANY LLC)

BERMUDA

CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT FOR THE YEAR ENDED DECEMBER 31, 2015

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QR. 99-8

INDEPENDENT AUDITOR'S REPORT

The Shareholder
Qatar Reinsurance Company Limited
Bermuda

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of Qatar Reinsurance Company Limited (previously Qatar Reinsurance Company LLC) (the "Company") and its subsidiary (together the "Group"), which comprise the consolidated statement of financial position as at December 31, 2015 and the consolidated statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Group's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group as at December 31, 2015 and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Doha – Qatar
February 22, 2016

For **Deloitte & Touche**
Qatar Branch

Deloitte & Touche

DELOITTE & TOUCHE
Public Accountants
ديلويت آند توش
محاسبون قانونيون

QATAR REINSURANCE COMPANY LIMITED
(PREVIOUSLY KNOWN AS QATAR REINSURANCE COMPANY LLC)
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at December 31, 2015

	Notes	**December 31, 2015**	December 31, 2014
		USD ('000)	USD ('000)
ASSETS			
Cash and cash equivalents	5	**319,699**	128,169
Premiums and other receivables	6	**988,004**	305,354
Reinsurance contract assets	7	**855,141**	341,878
Investments	8	**305,575**	286,427
Property and equipment	9	**2,374**	1,868
TOTAL ASSETS		**2,470,793**	1,063,696
LIABILITIES AND EQUITY			
LIABILITIES			
Provisions, reinsurance and other payables	10	**138,776**	79,932
Due to related parties	11	**558,979**	221,804
Reinsurance contract liabilities	7	**1,241,290**	536,418
TOTAL LIABILITIES		**1,939,045**	838,154
EQUITY			
Share capital	12	**1,000**	200,549
Share premium	13	**--**	2,652
Contributed Surplus	19	**495,368**	--
Fair value reserve	14	**(12,943)**	(999)
Retained earnings		**48,323**	23,340
TOTAL EQUITY		**531,748**	225,542
TOTAL LIABILITIES AND EQUITY		**2,470,793**	1,063,696

These consolidated financial statements were approved by the Board of Directors on February 22, 2016 and signed on their behalf by following signatories;

Sunil Talwar
Chairman

Gunther Saacke
CEO and Board Member

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS

QATAR REINSURANCE COMPANY LIMITED
(PREVIOUSLY KNOWN AS QATAR REINSURANCE COMPANY LLC)
CONSOLIDATED STATEMENT OF INCOME

QatarRe

For the year ended December 31, 2015

	Notes	December 31, 2015 USD ('000)	December 31, 2014 USD ('000)
Gross written premiums	15	**1,156,203**	535,878
Premiums ceded to reinsurers	15	**(812,777)**	(357,723)
Net premiums		**343,426**	178,155
Movement in net unexpired premium reserve	15	**(98,390)**	(43,069)
Net earned premiums		**245,036**	135,086
Gross claims paid	15	**(195,716)**	(178,305)
Reinsurance recoveries	15	**123,304**	112,015
Movement in net outstanding claims	15	**(93,219)**	(47,564)
Net commissions	15	**(14,673)**	6,448
Net underwriting results		**64,732**	27,680
Investment income	16	**10,673**	27,414
Total income		**75,405**	55,094
Operating and administrative expenses	17	**(49,483)**	(38,340)
Depreciation and amortisation	9	**(939)**	(826)
Profit for the year		**24,983**	15,928

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2015

	December 31, 2015	December 31, 2014
	USD ('000)	USD ('000)
Profit for the year	**24,983**	15,928
Other comprehensive income		
Net changes in fair value of available-for-sale investments	**(11,944)**	(4,665)
Total comprehensive income for the year	**13,039**	11,263

QATAR REINSURANCE COMPANY LIMITED
(PREVIOUSLY KNOWN AS QATAR REINSURANCE COMPANY LLC)
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended December 31, 2015

	Share Capital	Share premium	Contributed Surplus	Fair value reserve	Retained earnings	Total equity
	USD ('000)	**USD ('000)**	**USD ('000)**	**USD ('000)**	**USD ('000)**	**USD ('000)**
Balance as at January 1, 2014	152,449	2,652	--	3,666	7,412	166,179
Profit for the year	--	--	--	--	15,928	15,928
Net changes in fair value on available-for-sale investments	--	--	--	(4,665)	--	(4,665)
Total comprehensive income for the year	--	--	--	(4,665)	15,928	11,263
Shares issued during the year	48,100	--		--	--	48,100
Balance as at December 31, 2014	200,549	2,652	--	(999)	23,340	225,542
Profit for the year	--	--	--	--	24,983	24,983
Net changes in fair value on available-for-sale investments	--	--	--	(11,944)	--	(11,944)
Total comprehensive income for the year	--	--	--	(11,944)	24,983	13,039
Merger of Antares Re with the Group (Note 23)	--	--	243,717	--	--	243,717
Shares issued during the year	32,967	16,483	--	--	--	49,450
Reduction of share capital (Note 12)	(232,516)	(19,135)	251,651	--	--	--
Balance as at December 31, 2015	**1,000**	**--**	**495,368**	**(12,943)**	**48,323**	**531,748**

For the year ended December 31, 2015

	Note	**December 31, 2015 USD (‘000)**	December 31, 2014 USD (‘000)
OPERATING ACTIVITIES			
Profit for the year		**24,983**	15,928
Adjustments for:			
Depreciation of property and equipment		**939**	826
Investment income		**(10,673)**	(27,379)
Provision for employees’ end of service benefits		**165**	165
Gain on disposal of property and equipment		**--**	(35)
		15,414	(10,495)
Movements in working capital			
Insurance and other receivables		**(591,420)**	(166,631)
Insurance reserves		**191,609**	(8,084)
Provisions, insurance and other payables		**51,409**	40,535
Due to related parties		**337,186**	104,226
Cash generated from / (used in) operations		**4,198**	(40,449)
Employees’ end of service benefits paid		**(32)**	(100)
Net cash generated from / (used in) operating activities		**4,166**	(40,549)
INVESTING ACTIVITIES			
Net cash movements in investments		**95,447**	(110,223)
Purchase of property and equipment		**(1,456)**	(416)
Investment income received		**10,673**	27,379
Proceeds from sales of property and equipment		**--**	35
Net cash generated from / (used in) investing activities		**104,664**	(83,225)
FINANCING ACTIVITY			
Proceeds from new shares issued		**49,450**	48,100
Net cash generated from financing activity		**49,450**	48,100
Increase / (decrease) in cash and cash equivalents		**158,280**	(75,674)
Add: Cash and cash equivalents from business combinations		**33,250**	--
Cash and cash equivalents at beginning of the year		**128,169**	203,843
Cash and cash equvalents at the end of the year	5	**319,699**	128,169

1. LEGAL STATUS AND PRINCIPAL ACTIVITIES

Qatar Reinsurance Company Limited (previously known as "Qatar Reinsurance Company LLC") (the "Parent Company") is a company engaged in the business of reinsurance and registered under the laws of Bermuda Monetary Authority (BMA) as a Class 4 insurer. The Parent Company was authorized for Continuance by Bermuda Monetary Authority on November 24, 2015 under the name "Qatar Reinsurance Company Limited" and Registration No. 50986.

Previously, the Company was incorporated in Qatar Financial Centre Doha, Qatar (QFC) on December 6, 2009 with the name and registration number of "Qatar Reinsurance Company LLC " and No. 00117 respectively and conducted its business under legal supervision of Qatar Financial Centre Regulatory Authority (QFCRA). With effect from December 2, 2015, the Parent Company changed its legal domicile from QFC Qatar to Bermuda, after obtaining the regulatory approval from QFCRA.

The address of the Parent Company's registered office is Clarendon house, 2 Church Street, Hamilton HM11, Bermuda.

The consolidated financial statements incorporate the financial information of the Parent Company and its subsidiary (the "Group") all of which having December 31st as financial year end.

The Parent Company is fully owned by single shareholder - QIC Capital LLC, Doha, Qatar (2014: 55.38% owned by Qatar Insurance Company S.A.Q and 40.00% owned by QIC International LLC). The ultimate parent company of the Group is Qatar Insurance Company S.A.Q Doha, Qatar. The Parent Company operates from Bermuda and has branches in Switzerland, United Arab Emirates and representative offices in Singapore and United Kingdom.

Subsidiary
The Parent Company holds 100% share capital of Qatar Reinsurance Services LLC, Doha Qatar. The subsidiary is a limited liability company registered with QFC, Qatar and primarily engaged in providing management services to the Group. The incorporation date of the subsidiary is October 13, 2015.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

In the current financial year, the Group has adopted certain new and revised standards and interpretations, which are mainly:

IAS 24	Amendments to disclose the amount paid to management entity for providing key managerial personnel as related party transaction.
IFRS 8	Amendment resulting in additional disclosure about judgments involved in deciding whether or not to aggregate operating segments

The revised standards issued by IASB and IFRIC interpretations which are effective from the accounting period commencing January 1, 2015, had no significant effect on the consolidated financial statements of the Group for the year ended December 31, 2015.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) (CONTINUED)

The following IASB Standards and IFRIC interpretations issued but, are not mandatory for the year ended December 31, 2015, have not yet been adopted by the Group:

- IFRS 9 - "Financial Instruments" was issued to replace IAS 39 – "Financial Instruments: Recognition and Measurement". IFRS 9 simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortized cost and fair value. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. IFRS 9 Financial Instruments will be applicable for annual periods beginning on or after January 1, 2018;

- Certain consequential amendments to IFRS 7 "Financial Instrument disclosures" and IAS 39 (Revised) due to application of IFRS 9, detailed above.

The Group is currently in the process of evaluating the potential effect of these amendments in the presentation of the consolidated financial statements.

A number of new standards, amendments to standards and interpretations that are not yet effective for the year ended December 31, 2015 have not been applied in preparing these consolidated financial statements. The Group does not expect the proposed amendments which will become mandatory for the consolidated financial statements for the year 2016 or thereafter, to have a significant impact on the consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance
The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Basis of preparation
The consolidated financial statements have been prepared on the historical cost basis except for available for sale financial assets and held for trade financial instruments that are measured at fair value. These consolidated financial statements are presented in United States Dollars (USD) and rounded to the nearest thousand (USD '000), unless otherwise indicated.

Prior year financial statements were presented in Qatari Riyals (QR). Change in presentation and functional currency was due to transfer of the Group's legal domicile to Bermuda. The principal accounting policies are set out below:

a) Consolidation, translation and financial instruments

i) Basis of consolidation

Subsidiaries
The Parent Company, on incorporating a subsidiary, has decided to prepare the consolidated financial statement in compliance with IFRS 10. Accordingly, this is the first year of preparing these consolidated financial statements of the Group.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

a) Consolidation, translation and financial instruments (continued)

i) Basis of consolidation (continued)

Subsidiaries (continued)
The consolidated financial statements incorporate the financial statements of the Parent Company and entities controlled by the Parent Company directly or indirectly as at December 31st of each year.

Subsidiaries are all entities over which the Group has control. Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date when such control ceases. The financial statements of the subsidiary companies are prepared for the same reporting period as the Parent Company, using consistent accounting policies.

Control is achieved when the Parent Company directly or indirectly (i) has power over the investee, (ii) has exposure or rights to variable returns from its involvement with the investee and (iii) has the ability to use its power to effect those returns.

The Parent Company reassesses whether or not it controls an investee and facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Parent Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Parent Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

All significant intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Parent Company.

Non-controlling interests represent the portion of profit or loss and net assets not held by the Group and are presented separately in the consolidated statement of income and within equity in the consolidated statement of financial position, separately from parent shareholders' equity.

When the Group ceases to control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in the consolidated statement of income. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to the consolidated statement of income.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

a) Consolidation, translation and financial instruments (continued)

i) Basis of consolidation (continued)

Business combination
Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognized in consolidated statement of income as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognized at their fair value.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held in equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed as at date of acquisition. If the net of the acquisition date amounts of identifiable asset acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree (if any), the excess is recognized immediately in the consolidated statement of income as a bargain purchase gain.

Common control transactions
Business combinations involving the transfer of business and net assets in a transaction under common control, are accounted for at the carrying values of the underlying net assets of the transferred business. There are no bargain gain or goodwill on transfer of assets recognized by the Group on common control transactions.

Goodwill
Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment at least annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in the consolidated statement of income. An impairment loss recognised for goodwill is not reversed in subsequent periods

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

a) Consolidation, translation and financial instruments (continued)

ii) Foreign currency

Foreign operations
The individual financial statements of the Group entities are presented in the currency of the primary economic environment in which they operate (functional currency). For the purpose of these consolidated financial statements, the results and financial position of each subsidiary are expressed in the presentation currency of the Parent Company.

The assets and liabilities of foreign operations are translated to United States Dollars using exchange rates prevailing at the reporting date. Income and expenses are also translated to United States Dollars at the exchange rates prevailing at the reporting date, which do not significantly vary from the average exchange rates for the year. Foreign currency translation reserve is not shown separately under equity due to insignificance of the amount.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences are recognized in other comprehensive income.

Foreign currency transactions
Foreign currency transactions are recorded in the respective functional currencies of Group entities at the rates of exchange prevailing at the date of each transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the respective functional currencies at the rate of exchange prevailing at the year end. The resultant exchange differences are included in the consolidated statement of income.

iii) Financial instruments
Financial instruments represent the Group's financial assets and liabilities. Financial assets include cash and cash equivalents, insurance and other receivables and investments. Financial liabilities include short term borrowings and other payables.

Financial asset or liability is initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in the consolidated statement of income.

Recognition
The Group initially recognizes cash and cash equivalents, insurance and other receivables, short term borrowings and other payables at the date that they originate. All other financial assets and liabilities are initially recognized at the trade date or settlement date when the Group becomes a party to the contractual provisions of the instrument.

De-recognition
The Group derecognizes a financial asset when the contractual rights to receive cash flows from that asset expire or it transfers the right to receive the contractual cash flow of that asset in a transaction in which substantially all the risks and rewards of ownership of the financial assets are transferred. Any interest in the transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability. The Group derecognizes a financial liability when its contractual obligations are discharged or cancelled or expired.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

a) Consolidation, translation and financial instruments (continued)

iii) Financial instruments (continued)

Measurement
The measurement of financial assets and liabilities is disclosed under accounting policy for respective financial assets and liabilities.

Fair values of financial instruments
Fair value is the amount for which an asset could be exchanged or a liability settled between knowledgeable willing parties on an arm's length transaction at the measurement date. Differences can therefore arise between the book values under the historical cost method and fair value estimates.

Underlying the definition of fair value is a presumption that an enterprise is a going concern without any intention or need to liquidate, curtail materially the scale of its operations or undertake a transaction on adverse terms.

Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognized in the profit or loss as they arise.

Fair values of marketable investments are determined by reference to their bid prices at the close of business at the reporting date. In respect of unquoted available for sale financial assets, the fair value is determined based on various valuation techniques, as deemed appropriate. The fair values of the Group's other financial assets and financial liabilities are not materially different from their carrying values.

Impairment of financial asset
At each reporting date, the Group assesses whether there is objective evidence that any financial asset is impaired. Financial assets are impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset, and that the loss event has an impact on the future cash flows of the asset that can be estimated reliably.

Objective evidence that financial assets are impaired can include default or delinquency by a customer or insurer or reinsurer, indications that the customer or insurer or reinsurer will enter bankruptcy or the disappearance of an active market for a security. In addition for an investment in equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment. Impairment loss on assets are recognised in the consolidated statement of income and reflected as an allowance against receivables or investments.

b) Reinsurance operations

i) Premiums and other receivables

Premiums and other receivables are recognised when due and measured on initial recognition at the fair value of the consideration received or receivable. The carrying value of the receivables is reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable, with the impairment loss recorded in the consolidated statement of income. After initial measurement, premiums and other receivables are measured at amortised cost as deemed appropriate.

Premiums receivables are derecognised when the derecognition criteria for financial assets, as described in Note 3 (a) (iii), have been met.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

b) Reinsurance operations (continued)

ii) Reinsurance contract assets

The Group cedes insurance risk in the normal course of business as part of its businesses model. Reinsurance assets represent balances recoverable from reinsurance companies. Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision or settled claims associated with the reinsurers' policies and are in accordance with the related reinsurance contract.

Reinsurance assets are reviewed for impairment at each reporting date, or more frequently, when an indication of impairment arises during the reporting year. Impairment occurs when there is objective evidence as a result of an event that occurred after initial recognition of the reinsurance asset that the Group may not receive all outstanding amounts due under the terms of the contract and the event has a reliably measurable impact on the amounts that the Group will receive from the reinsurer. The impairment loss is recorded in the income statement.

iii) Reinsurance and other payables

Reinsurance and other payables are recognized when due and measured on initial recognition at the fair value of the consideration received less directly attributable transaction costs. Subsequently, reinsurance and other payables are measured at amortised cost, as deemed appropriate.

iv) Gross written premiums

Gross written premiums are recognized when written and include an estimate for written premiums receivable at period end. Gross written premiums comprise the total premiums receivable for the whole period of cover provided by reinsurance contracts entered into during the accounting period. Gross written premiums also include any adjustments arising in the accounting period for premiums receivable in respect of business written in prior accounting periods.

Premium on reinsurance contracts are recognized as revenue (earned premiums) proportionally over the period of coverage. The portion of premium received on in-force contracts that relates to unexpired risks at the reporting date are reported as the unearned premium reserve.

v) Premiums ceded to reinsurers

Reinsurance premiums comprise the total premiums payable for the reinsurance cover provided by retrocession contracts entered into during the period and are recognized on the date on which the policy incepts. Reinsurance premiums also include any adjustments arising in the accounting period in respect of retrocession contracts incepting in prior accounting periods. Unearned reinsurance premiums are those proportions of premiums written in a year that relate to periods of risk after the reporting date.

vi) Reinsurance contract liabilities

Reinsurance contract liabilities include the outstanding claims provision and the provision for unearned premium. Reinsurance contract liabilities are recognised when contracts are entered into and premiums are charged.

Provision for outstanding claims

Provision for outstanding claims is recognized at the date the claims are known and covers the liability for losses and loss adjustment expenses based on loss reports from independent loss adjusters and management's best estimate.

Claims provision also includes liability for claims incurred but not reported as at the reporting date. The liability is calculated at the reporting date using a range of historic trends, empirical data and

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

b) Reinsurance operations (continued)

vi) Reinsurance contract liabilities (continued)

standard actuarial claim projection techniques. The current assumptions may include a margin for adverse deviations. The liability is not discounted for the time value of money.

Unexpired risks reserve

The provision for unearned premiums represents that portion of premiums received or receivable, after deduction of the reinsurance share, which relates to risks that have not yet expired at the reporting date. The provision is recognised when contracts are entered into and premiums are charged, and is brought to account as premium income over the term of the contract in accordance with the nature and type of reinsurance contract written by the Group.

Reinsurance contract liabilities are derecognised when the contract expires, discharged or cancelled by any party to the insurance contract.

At each reporting date, the Group reviews its unexpired risk and a liability adequacy test is performed in accordance with IFRS 4 to determine whether there is any overall excess of expected claims and deferred acquisition costs over unearned premiums. This calculation uses current estimates of future contractual cash flows after taking account of the investment return expected to arise on assets relating to the relevant non-life insurance technical provisions. If these estimates show that the carrying amount of the unearned premiums (less related deferred acquisition costs) is inadequate, the deficiency is recognised in the income statement by setting up a provision for premium deficiency.

vii) Gross claims paid

Gross claims paid include all claims paid during the year and the related external claims handling costs that are directly related to the processing and settlement of claims.

viii) Commission earned and paid

Commissions earned and paid are recognized at the time the policies are underwritten or deferred and amortised over the same period over which the corresponding premiums are recognised in accordance with the earning pattern of the underlying reinsurance contract.

c) Investment activities

The Group classifies its investments into financial assets at fair value through profit or loss and available for sale financial assets. The classification depends on the purpose for which the investments were acquired or originated.

i) Non-derivative financial instruments

All investments are initially recognised at cost, being the fair value of the consideration given including acquisition charges associated with the investment.

Financial assets at fair value through profit or loss (Held for trading)

Financial assets at fair value through profit or loss include financial assets held for trading and those designated upon initial recognition at fair value through profit or loss. Investments typically bought with the intention to sell in the near future are classified as held for trading. These investments are carried at fair value (marked to market) with any gain or loss arising from the change in fair value included in the profit or loss in the year in which it arises.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

c) Investment activities (continued)

i) Non-derivative financial instruments (continued)

Available for sale – Quoted
Subsequent to initial recognition, investments which are classified "available for sale - quoted" are re-measured at fair value. The unrealised gains and losses on re-measurement to fair value are recognized in other comprehensive income and accumulated under the heading of fair value reserve until the investment is sold, collected or otherwise disposed of, or the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in the consolidated statement of income for the year.

Available for sale – Unquoted shares and private equity
The fair value of these investments cannot be reliably measured due to the nature of their cash flows, these investments are therefore carried at cost less any provision for impairment.

ii) Fair value reserve
This represents the unrealised gain or loss of the year-end fair valuation of available for sale investments. In the event of a sale or impairment, the cumulative gains or losses recognised under the investments fair value reserve are included in the consolidated statement of income for the year.

iii) Investment income

Interest income
Interest income is recognised in the income statement as it accrues and is calculated by using the effective interest rate method, except for short-term receivables when the effect of discounting is immaterial.

Dividend income
Dividend income is recognised when the right to receive the dividends is established or when received.

d) General

i) Cash and cash equivalents
Cash and cash equivalents comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less in the consolidated statement of financial position. The cash equivalents are readily convertible to cash.

ii) Property and equipment
Property and equipment, including owner-occupied properties, are carried at historical cost less accumulated depreciation and accumulated impairment losses. Subsequent expenditure is capitalised only when it is probable that future economic benefits associated with the expenditure will flow to the Group.

Ongoing repairs and maintenance are charged to the consolidated statement of income during the financial period they are incurred.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

d) General (continued)

ii) Property and equipment (continued)

The assets' residual values, useful lives and method of depreciation applied are reviewed and adjusted, if appropriate, at each financial year end and adjusted prospectively, if appropriate. Impairment reviews are performed when there are indicators that the carrying value may not be recoverable. Impairment losses are recognised in the consolidated statement of income as an expense.

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognised in the consolidated statement of income in the year the asset is derecognised.

iii) Depreciation

Depreciation is provided on a straight line basis on all property and equipment and investment properties, other than freehold land which is determined to have an indefinite life. The rates of depreciation are based upon the following estimated useful lives:

Buildings	-	15 to 20 years
Furniture & fixtures	-	2 to 5 years
Motor vehicles	-	3 years

Depreciation methods, useful lives and residual values are reviewed and adjusted if appropriate at each financial year end.

iv) Impairment of non-financial assets

An assessment is made at each reporting date to determine whether there is objective evidence that an asset or group of assets is impaired. If such evidence exists, the estimated recoverable amount of that asset is determined and an impairment loss is recognized for the difference between the recoverable amount and the carrying amount. Impairment losses are recognized in the consolidated statement of income.

v) Provisions

The Group recognizes provisions in the consolidated financial statements when the Group has a legal or constructive obligation (as a result of a past event) that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. The provision is created by charging the consolidated statement of income for any obligations as per the calculated value of these obligations and the expectation of their realisation at the reporting date.

vi) Employees' end of service benefits

Provision is made for amounts payable in respect of employees' end of service benefits based on contractual obligations or respective local labour laws of the group entities, whichever is higher, and is calculated using the employee's salary and period of service at the reporting date.

vii) Taxation

Previously, the company was subject to tax at zero percent as per QFC tax regulations applicable in Qatar. In Bermuda, there is no tax on reinsurance activities based on the tax assurance certificate issued in favour of the parent company by Ministry of Finance.

viii) Share capital

The Group has issued ordinary shares that are classified as equity instruments. Incremental external

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

d) General (continued)

costs that are directly attributable to the issue of these shares are recognised in equity.

ix) Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the management to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

4. CRITICAL JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 3, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimations, that management has made in the process of applying its accounting policies and that have the most significant effect on the amounts recognised in financial statements:

Classification of investments

Quoted securities are classified either held for trading or as available for sale. The Group invests substantially in quoted securities either locally or overseas and management has primarily decided to account for them for their potential long term growth rather than the short term profit basis. Consequently, such investments are recognized as available for sale rather than at fair value through profit or loss.

Financial assets are classified as fair value through profit or loss where the assets are either held for trading or designated as at fair value through profit or loss. The Group invests in mutual and managed funds for trading purpose.

Impairment of financial assets

The Group determines whether available for sale financial assets are impaired when there has been a significant or prolonged decline in their fair value below cost. This determination of what is significant or prolonged requires considerable judgment by the management. In making this judgment and to record whether impairment occurred, the Group evaluates among other factors, the normal volatility in share price, the financial health of the investee, industry and sector performance, changes in technology and operational and financial cash flows.

4. CRITICAL JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

Key sources of estimation uncertainty
The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the statement of financial position date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year:

Claims made under insurance contract
Claims and loss adjustment expenses are charged to income as incurred based on the estimated liability for compensation owed to contract holders or third parties damaged by the contract holders. Liabilities for unpaid claims are estimated using the input of assessments for individual cases reported to the Group and management estimations for the claims incurred but not reported. The method for making such estimates and for establishing the resulting liability is continually reviewed. Any difference between the actual claims and the provisions made are included in the statement of income in the year of settlement. As of December 31, 2015 estimate for unpaid claims amounted to USD 194,233 thousand (2014: USD 101,014 thousand).

For certain line of businesses (non-life), in order to estimate the liabilities, the expected loss ratios are calculated for all underlying insurance contracts. The amounts estimated as the difference between the current estimated losses and the reported loses are set aside as the incurred but not reported reserve for the losses that have been incurred but which are not yet known or have still to be reported.

Impairment of insurance and other receivables
An estimate of the collectible amount of insurance and other receivables is made when collection of the full amount is no longer probable. This determination of whether these insurance and other receivables are impaired entails the Group evaluating, the credit and liquidity position of the policyholders and the insurance companies, historical recovery rates including detailed investigations carried out as at reporting date and feedback received from their legal department. The difference between the estimated collectible amount and the book amount is recognized as an expense in the statement of income. Any difference between the amounts actually collected in the future periods and the amounts expected will be recognized in the statement of income at the time of collection.

As of December 31, 2015 the net carrying values of insurance receivable and reinsurance receivables amounted to USD 770,677 thousand (2014: USD 184,758 thousand) and provision for impairment on insurance receivable and reinsurance receivable amounted to USD 355 thousand (2014: USD 355 thousand).

Liability adequacy test
At each reporting, liability adequacy tests are performed to ensure the adequacy of insurance contract liabilities. The Group makes use of the best estimates of future contractual cash flows and claims handling and administration expenses, as well as investment income from the assets backing such liabilities in evaluating the adequacy of the liability. Any deficiency is immediately charged to the statement of income.

5. CASH AND CASH EQUIVALENTS

	2015	2014
	USD (‘000)	USD (‘000)
Cash in hand and bank balances	**27,035**	20,792
Time deposits (with original maturity of less than 3 months)	**292,664**	107,377
	319,699	128,169

The average interest rate on time deposits is 1.77% (2014: 1.45%) per annum.

6. PREMIUMS AND OTHER RECEIVABLES

	2015	2014
	USD ('000)	USD ('000)
Premiums receivables		
Due from insurance companies	**771,032**	185,113
Provision for bad and doubtful receivables	**(355)**	(355)
	770,677	184,758
Other receivables		
Deferred commission	**144,018**	80,577
Accrued deposit premium	**68,413**	38,963
Accrued income	**3,953**	--
Prepayments	**473**	833
Local debtors	**132**	185
Advances against indemnity	**38**	38
Others receivables	**300**	--
	217,327	120,596
	988,004	305,354

7. REINSURANCE CONTRACT LIABILITIES AND REINSURANCE CONTRACT ASSETS

	2015	2014
	USD ('000)	USD ('000)
Gross reinsurance contract liabilities		
Claims reported unsettled	**181,559**	153,578
Claims incurred but not reported	**423,567**	92,760
Unearned premiums	**636,164**	290,080
	1,241,290	536,418
Retrocedants share of reinsurance contract liabilities		
Claims reported unsettled	**118,966**	83,942
Claims incurred but not reported	**291,927**	61,382
Unearned premiums	**444,248**	196,554
	855,141	341,878
Net reinsurance contract liabilities		
Claims reported unsettled	**62,593**	69,636
Claims incurred but not reported	**131,640**	31,378
Unearned premiums	**191,916**	93,526
	386,149	194,540

7. REINSURANCE CONTRACT LIABILITIES AND REINSURANCE CONTRACT ASSETS (CONTINUED)

Movements in claims provision during the year are as follows:

	2015			2014		
	Reinsurance contract liabilities	**Retrocedant's share**	**Net**	Reinsurance contract liabilities	Retrocedant's share	Net
	USD ('000)	**USD ('000)**	**USD ('000)**	USD ('000)	USD ('000)	USD ('000)
As at January 1,	**246,338**	**145,324**	**101,014**	243,820	93,528	150,292
Claims incurred during the year	**554,504**	**388,873**	**165,631**	287,469	173,615	113,854
Claims paid during the year	**(195,716)**	**(123,304)**	**(72,412)**	(178,305)	(112,015)	(66,290)
Transfer to QIC Group SPC*	**--**	**--**	**--**	(106,646)	(9,804)	(96,842)
As at December 31,	**605,126**	**410,893**	**194,233**	246,338	145,324	101,014

Movements in provision for unearned premium during the year are as follows:

	2015			2014		
	Reinsurance contract liabilities	**Retrocedant's share**	**Net**	Reinsurance contract liabilities	Retrocedant's share	Net
	USD ('000)	**USD ('000)**	**USD ('000)**	USD ('000)	USD ('000)	USD ('000)
As at January 1,	**290,080**	**196,554**	**93,526**	144,767	92,435	52,332
Premiums written during the year	**1,156,203**	**812,777**	**343,426**	535,878	357,723	178,155
Premiums earned during the year	**(810,119)**	**(565,083)**	**(245,036)**	(385,206)	(250,121)	(135,085)
Transfer to QIC Group SPC*	**--**	**--**	**--**	(5,359)	(3,483)	(1,876)
As at December 31,	**636,164**	**444,248**	**191,916**	290,080	196,554	93,526

* During the previous year 2014, the Parent Company has commuted the claims outstanding and related insurance reserves as at September 30, 2014 relating to certain reinsurance policies written on or before December 31, 2012 to a related party – Qatar Insurance Company SAQ for a total consideration of USD 98.72 million.

8. INVESTMENTS

		December 31, 2015 USD ('000)		December 31, 2014 USD ('000)
Held for trading investments				
Managed funds		**12,753**		1,701
Available-for-sale investments				
Qatari public shareholding companies		**63,017**		61,281
Quoted shares - International		**11,862**		21,954
Bonds	**634,355**		442,175	
Less : Margin collateral	**(416,412)**	**217,943**	(240,684)	201,491
Total available for sale investments – net		**292,822**		284,726
Total		**305,575**		286,427

Fixed income instrument purchases have been financed using short-term borrowings which typically roll on every coupon payment date. These are normally priced using LIBOR plus spread which ranges from 50 bps to 150 bps. These borrowings carried an average interest rate of 0.94% in 2015 (2014: 0.70%).

9. PROPERTY AND EQUIPMENT

	Furniture and fixtures USD ('000)	**Motor vehicle USD ('000)**	**Total USD ('000)**
Cost			
At January 1, 2014	2,920	208	3,128
Additions during the year	341	75	416
Disposals during the year	(24)	(16)	(40)
At December 31, 2014	3,237	267	3,504
Additions during the year	1,456	--	1,456
Disposals during the year	--	(21)	(21)
At December 31, 2015	**4,693**	**246**	**4,939**
Accumulated depreciation			
At January 1, 2014	794	56	850
Charge during the year	747	79	826
Disposals during the year	(24)	(16)	(40)
At December 31, 2014	1,517	119	1,636
Charge during the year	852	87	939
Disposals during the year	--	(10)	(10)
At December 31, 2015	**2,369**	**196**	**2,565**
Net Book Value:			
At December 31, 2015	**2,324**	**50**	**2,374**
At December 31, 2014	1,720	148	1,868

10. PROVISIONS, REINSURANCE AND OTHER PAYABLES

	2015	2014
	USD ('000)	USD ('000)
Deferred commission	**100,396**	53,364
Due to reinsurance companies	**23,762**	15,672
Accrued expenses	**11,780**	8,598
Other payables:		
Employees' end of service benefits (Note 10.1)	**635**	502
Board of directors remuneration payable	**--**	588
Local creditors	**2,203**	1,208
	138,776	79,932

10.1 EMPLOYEES' END OF SERVICE BENEFITS

	2015	2014
	USD ('000)	USD ('000)
Balance at the beginning of the year	**502**	437
Charge for the year	**165**	165
Payments made during the year	**(32)**	(100)
Balance at the end of year	**635**	502

11. DUE TO RELATED PARTIES

This represents balance due to Qatar Insurance Company S.A.Q (the "ultimate parent company") and its subsidiaries for transactions which occurred during the year. Pricing policies, terms and payment for these transactions are approved by the Parent Company's management.

12. SHARE CAPITAL

The authorized share capital of the Parent Company is 1,200,000 ordinary shares of USD 1.00 each (2014: 73,000,000 shares of QR 10 each).

The issued and fully paid in cash share capital is 1,000,000 ordinary shares of USD 1.00 (2014: 73,000,000 ordinary shares of QR 10 each).

The movement in the share capital of the Parent Company is as follows:

Authorised share capital		No. of shares	Par value	Total in QR ('000)	Total in USD ('000)
73,000,000 shares of QR 10 each	As at January 1, 2014	55,491,290	QR 10	554,913	152,449
--	Issuance of rights shares	17,508,710	QR 10	175,087	48,100
73,000,000 shares of QR 10 each	As at December 31, 2014	73,000,000	QR 10	730,000	200,549
--	Issuance of rights shares (i)	12,000,000	QR 10	120,000	32,967
85,000,000 shares of QR 10 each	Share capital before change of legal domicile	85,000,000	QR 10	850,000	233,516
--	Less: Reduction in share capital (ii)	--	--	--	(148,516)
500,000,000 shares of USD 1 each	Share capital on change of legal domicile (ii)	85,000,000	USD 1	--	85,000
(498,800,000) shares of USD 1 each	Less: Reduction in share capital (iii)	(84,000,000)	USD 1	--	(84,000)
1,200,000 shares of USD 1 each	**As at December 31, 2015**	**1,000,000**	**USD 1**	**--**	**1,000**

(i) The Parent Company made rights share offer of 12,000,000 shares at a price of QR 15 (including share premium of QR 5 per share) totalling to QR 180,000 thousand (USD 49,450 thousand) to the existing shareholders as at March 31, 2015, which was fully subscribed and paid by the shareholders. The share capital increase of QR 120,000 thousand (USD 32,967 thousand) and contribution towards share premium of QR 60,000 thousand (USD 16,483 thousand) was recognized in the consolidated statement of changes in equity; after obtaining the QFC's regulatory approval to increase the authorised share capital to 85,000,000 equity shares of QR 10 each.

(ii) Pursuant to change of legal domicile to Bermuda, the Parent Company has modified its authorised capital to 500,000,000 equity shares of USD 1 each. Immediately after the change in legal jurisdiction, the paid up share capital of the Parent Company stood at 85,000,000 shares of USD 1 each. Additional paid up capital amounting to USD 148,516 (thousand) was cancelled and transferred to "Contributed Surplus" account in the consolidated statement of changes in equity.

(iii) On December 31, 2015, the authorised share capital of the Parent Company reduced from 500,000,000 equity shares of USD 1 each to 1,200,000 equity shares of USD 1 each. On the same date, the issued and paid up share capital of the Company reduced to 1,000,000 equity shares of USD 1 each. Additional paid up capital cancelled amounting to USD 84,000 thousand is transferred to "Contributed Surplus" account in the consolidated statement of changes in equity.

13. SHARE PREMIUM

The share premium reflects the amount received in excess of the par value of the shares issued. During the year, the amount is fully transferred to "Contributed Surplus" account in the consolidated statement of changes in equity.

14. FAIR VALUE RESERVE

The fair value reserve arose from the revaluation of available for sale investments as per the accounting policies detailed in Note 3.

15. SEGMENT INFORMATION

a) Segment information

For management reporting purposes, the Group is organized into two business segments – Marine Aviation and Fire and General. These segments are the basis on which the Group reports its operating segment information. No operating segments have been aggregated in arriving at the reportable segment of the Group.

Segment statement of income for the year ended December 31, 2015

	Marine and Aviation	Fire and General	Total Underwriting	Investments	Un-allocated (Expenses)/ Income	Total	*The Group's Dubai Branch Performance included in Total**
	USD ('000)	USD ('000)	USD ('000)	USD ('000)	USD ('000)	USD ('000)	*USD ('000)*
Gross written premiums	39,974	1,116,229	1,156,203	--	--	1,156,203	*1,076*
Premiums ceded to reinsurers	(28,403)	(784,374)	(812,777)	--	--	(812,777)	*(660)*
Net premiums	11,571	331,855	343,426	--	--	343,426	*416*
Movement in net unexpired premium reserve	(381)	(98,009)	(98,390)	--	--	(98,390)	*(407)*
Net earned premiums	11,190	233,846	245,036	--	--	245,036	*9*
Gross claims paid	(15,560)	(180,156)	(195,716)	--	--	(195,716)	--
Reinsurance recoveries	9,579	113,725	123,304	--	--	123,304	--
Movement in net outstanding claims	(4,160)	(89,059)	(93,219)	--	--	(93,219)	*(5)*
Net commissions	90	(14,763)	(14,673)	--	--	(14,673)	*49*
Net underwriting results	1,139	63,593	64,732	--	--	64,732	*53*
Investment income			--	10,399	274	10,673	--
Total income			64,732	10,399	274	75,405	--
Operating and administrative expenses			--	--	(49,483)	(49,483)	*(169)*
Depreciation			--	--	(939)	(939)	--
Segment results			64,732	10,399	(50,148)	24,983	*(116)*

* The Parent Company has obtained a license to operate a branch in Dubai, United Arab Emirates (UAE) as at November 8, 2015, and the operational performance of the branch is included for informative purpose only.

15. SEGMENT INFORMATION (CONTINUED)

a) Segment information (continued)

Segment statement of income for the period ended December 31, 2014

	Marine and Aviation	Property & Casualty	Total Underwriting	Investments	Un-allocated (Expenses)/ Income	Total	*The Group's Dubai Branch Performance included in Total*
	USD ('000)	USD ('000)	USD ('000)	USD ('000)	USD ('000)	USD ('000)	*USD ('000)*
Gross written premiums	21,885	513,993	535,878	--	--	535,878	--
Premiums ceded to reinsurers	(12,729)	(344,994)	(357,723)	--	--	(357,723)	--
Net premiums	9,156	168,999	178,155	--	--	178,155	--
Movement in net unexpired riskpremium reserve	(2,150)	(40,919)	(43,069)	--	--	(43,069)	--
Net earned premiums	7,006	128,080	135,086	--	--	135,086	--
Gross claims paid	(18,423)	(159,882)	(178,305)	--	--	(178,305)	--
Reinsurance recoveries	9,296	102,719	112,015	--	--	112,015	--
Movement in net outstanding claims	(3,535)	(44,029)	(47,564)	--	--	(47,564)	--
Net commissions	(63)	6,511	6,448	--	--	6,448	--
Net underwriting results	(5,719)	33,399	27,680	--	--	27,680	--
Investment income			--	27,379	35	27,414	--
Total income			27,680	27,379	35	55,094	--
Operating & administrative expenses			--	--	(38,340)	(38,340)	--
Depreciation			--	--	(826)	(826)	--
Segment results			27,680	27,379	(39,131)	15,928	--

15. SEGMENT INFORMATION (CONTINUED)

a) Segment information (continued)

Segment assets and liabilities

Assets and liabilities of the Group are commonly used across the operating segments.

16. INVESTMENT INCOME

	2015	2014
	USD ('000)	USD ('000)
Interest income	**20,072**	16,932
Dividends	**1,873**	2,281
(Loss) / Profit on sale of available for sale financial assets	**(3,232)**	8,208
Impairment losses on investments	**(8,155)**	--
Other gains / (losses)	**115**	(7)
	10,673	27,414

17. OPERATING AND ADMINISTRATIVE EXPENSES

	2015	2014
	USD ('000)	USD ('000)
Employees related costs	**30,986**	25,031
Rental expenses	**2,796**	3,004
Maintenance & IT expenses	**2,845**	2,753
Professional fees	**1,277**	607
Travel expenses	**1,120**	916
Board of directors' remuneration (Note 18)	**824**	412
Miscellaneous expenses	**9,635**	5,617
	49,483	38,340

18. BOARD OF DIRECTORS' REMUNERATION

In accordance with the Articles of Association of the Parent Company, the Board of Directors' remuneration for the year 2015 has been proposed at USD 824 thousand (2014: USD 412 thousand).

19. CONTRIBUTED SURPLUS

The Contributed Surplus recognised in the consolidated statement of changes in equity is non-distributable to the shareholders as a dividend in the normal course of business. The Contributed Surplus as at yearend comprises of the following:

	2015	2014
	USD ('000)	USD ('000)
(i) On cancellation of shares after change in legal domicile	**251,651**	--
(ii) On merger of Antares Re business as on December 31, 2015	**243,717**	--
	495,368	--

20. RELATED PARTIES

a) Transaction with related parties

These represent transaction with related parties. Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions and directors of the Group and companies of which they are key management personnel. Pricing policies and terms of these transactions are approved by the Group's management and are negotiated under normal commercial terms.

Significant related party transactions were:

	2015	2014
	USD ('000)	USD ('000)
Reinsurance premium to QIC	**790,240**	334,500
Claims	**115,740**	71,379
Commission from QIC	**186,839**	103,430

b) Compensation of key management personnel

	2015	2014
	USD('000)	USD('000) (Restated)
Salaries and other short term benefits	**1,562**	1,140
Employees' end of service benefits	**195**	161
Total	**1,757**	1,301

Outstanding related party balances at reporting date are unsecured and interest free. Also, the Board of Directors' remuneration proposed for the year ended December 31, 2015 is detailed in Note 18.

21. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Group in the normal course of its business derives its revenue mainly from assuming and managing insurance and investments risks for profit. Through a robust governance structure, risk and return are evaluated to produce sustainable revenues to reduce earnings volatility and increase shareholders' return. The Group's lines of business are mainly exposed to the following risks;

- Insurance risk,
- Credit risk,
- Liquidity risk,
- Market risk and
- Operational risk

a) Governance framework

The primary objective of the Group's risk and financial management framework is to protect the Group's shareholders from events that hinder the sustainable achievement of the set financial performance objectives. Key management recognizes the critical importance of having efficient and effective risk management systems in place.

The Group has established a risk management function with clear terms of reference from the board of directors, its committees and the associated executive management committees. This is supplemented with a clear organisational structure with documented delegated authorities and responsibilities from the board of directors to executive management committees and senior managers. A group risk management policy framework which sets out the risk profiles for the Group, risk management, control and business conduct standards for the Group's operations has been put in place.

(b) Capital management framework

The Group has an internal risk management framework for identifying risks to which each of its business units and the Group as a whole is exposed, quantifying their impact on economic capital. The internal framework estimates indicate how much capital is needed to mitigate the risk of insolvency to a selected remote level of risk applied to a number of tests (both financial and non-financial) on the capital position of the business.

(c) Regulatory framework

Regulators are primarily interested in protecting the rights of the policyholders and monitor them closely to ensure that the Group is satisfactorily managing affairs for their benefit. At the same time, the regulators are also interested in ensuring that the Group maintains an appropriate solvency position to meet unforeseen liabilities arising from economic shocks or natural disasters.

The operations of the Group are also subject to regulatory requirements within the jurisdictions where it operates. Such regulations not only prescribe approval and monitoring of activities, but also impose certain restrictive provisions (e.g. capital adequacy) to minimise the risk of default and insolvency on the part of the insurance companies to meet unforeseen liabilities as these arise.

(d) Asset liability management (ALM) framework

Financial risks arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements. The main risk that the Group faces due to the nature of its investments and liabilities is interest rate risk. The Group manages these positions within an ALM framework that has been developed to achieve long-term investment returns in excess of its obligations under insurance and investment contracts.

21. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

d) Asset liability management (ALM) framework (continued)

The Group's ALM is also integrated with the management of the financial risks associated with the Group's other financial assets and liabilities not directly associated with insurance and investment liabilities.

The Group's ALM also forms an integral part of the insurance risk management policy, to ensure in each period sufficient cash flow is available to meet liabilities arising from insurance and investment contracts.

(e) Insurance risk

The principal risk the Group faces under insurance contracts is that the actual claims and benefit payments or the timing thereof, differ from expectations. This is influenced by the frequency of claims, severity of claims, actual compensation paid and subsequent development of long-term claims. Therefore the objective of the Group is to ensure that sufficient reserves are available to cover these liabilities.

The Group manages the insurance risk through the careful selection and implementation of its underwriting strategy and guidelines together with the adequate reinsurance arrangements and proactive claims handling.

The Group principally issues general insurance contracts which constitute mainly marine, aviation, fire, engineering, agriculture and general.

The concentration of insurance risk exposure is mitigated by careful selection and implementation of the underwriting strategy of the Group, which attempts to ensure that the risks underwritten are well diversified across a large portfolio in terms of type, level of insured benefits, amount of risk, industry and geography. Underwriting limits are in place to enforce risk selection criteria.

The Group, in the normal course of business, in order to minimise financial exposure arising from large claims, enters into contracts with other parties for reinsurance purposes. Such reinsurance arrangements provide for greater diversification of business, allow management to control exposure to potential losses arising from large risks, and provide additional capacity for growth. A significant portion of the reinsurance is affected under treaty, facultative and excess-of-loss reinsurance contracts. Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision and are in accordance with the reinsurance contracts.

Although the Group has reinsurance arrangements, it is not relieved of its direct obligations to its policyholders and thus a credit exposure exists with respect to ceded insurance, to the extent that any reinsurer is unable to meet its obligations assumed under such reinsurance agreements. The Group's placement of reinsurance is diversified such that it is neither dependent on a single reinsurer nor are the operations of the Group substantially dependent upon any single reinsurance contract.

The Group has in place strict claim review policies to assess all new and ongoing claims, regular detailed review of claims handling procedures and frequent investigation of possible fraudulent claims to reduce the risk exposure of the Group. The Group further enforces a policy of actively managing and prompt pursuing of claims, in order to reduce its exposure to unpredictable future developments that can negatively impact the Group.

21. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

(e) Insurance risk (continued)

Key assumptions
The principal assumption underlying the liability estimates is that the Group's future claims development will follow a similar pattern to past claims development experience. This includes assumptions in respect of average claim costs, claim handling costs, claim inflation factors and claim numbers for each accident year. Additional qualitative judgments are used to assess the extent to which past trends may not apply in the future, for example one-off occurrence changes in market factors such as public attitude to claiming, economic conditions, as well as internal factors such as portfolio mix, policy conditions and claims handling procedures. Judgment is further used to assess the extent to which external factors such as judicial decisions and government legislation affect the estimated. Other key circumstances affecting the reliability of assumptions include variation in interest rates, delays in settlement and changes in foreign currency rates.

Sensitivities
The general insurance claims provisions are sensitive to the key assumptions shown below. It has not been possible to quantify the sensitivity of certain assumptions such as legislative changes or uncertainty in the estimation process.

The analysis below is performed for possible movements in key assumptions with all other assumptions held constant, showing the impact on gross and net liabilities, net profit and equity.

	Change in assumptions	Impact on liabilities	Impact on net profit	Impact on equity
		USD ('000)	USD ('000)	USD ('000)
December 31, 2015				
Incurred claim cost	**10%**	**16,563**	**(16,563)**	**--**
Incurred claim cost	**-10%**	**(16,563)**	**16,563**	**--**
December 31, 2014				
Incurred claim cost	10%	11,385	(11,385)	--
Incurred claim cost	-10%	(11,385)	11,385	--

Claims development table
The Group maintains strong reserves in respect of its insurance business in order to protect against adverse future claims experience and developments. The following tables show the estimates of cumulative incurred claims, including both claims notified and IBNR for each successive accident year at each reporting date, together with cumulative payments to date. The top half of each table below illustrates how the Group's estimate of total claims outstanding for each accident year has changed at successive year-ends. The bottom half of the table reconciles the cumulative claims to the amount appearing in the consolidated statement of financial position.

21. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

(e) Insurance risk (continued)

Claims development table (continued)

With the exception of the proportional and non-proportional reinsurance business, an accident-year basis is considered to be most appropriate for the business written by the Group. Given the nature of reinsurance claims and the difficulties in identifying an accident year for each reported claim, these claims are reported separately and aggregated by reporting year (reporting year basis) – that is, with reference to the year in which the Group was notified of the claims. This presentation is different from the basis used for the claims development tables for the other insurance claims and entities of the Group, where the reference is to the actual date of the event that caused the claim (accident-year basis).

Accident year	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**Total**
At end of accident year	43,077	86,101	60,188	139,608	241,753	517,004	
One year later	62,295	120,261	64,507	135,449	277,443	--	
Two years later	70,046	139,780	45,701	137,259	--	--	
Three years later	74,530	123,907	45,701	--	--	--	
Four years later	65,445	123,907	--	--	--	--	
Five years later	65,445	--	--	--	--	--	
Current estimate of cumulative claims incurred	**65,445**	**123,907**	**45,701**	**137,259**	**277,443**	**517,004**	**1,166,759**
Cumulative payments to date	(65,445)	(123,907)	(45,701)	(87,685)	(148,825)	(90,070)	(561,633)
Total net outstanding claims provision	**--**	**--**	**--**	**49,574**	**128,618**	**426,934**	**605,126**
Current estimate of surplus/(deficiency)	--	--	--	2,349	(35,690)		
% Surplus/ (deficiency) of initial gross reserve	0%	0%	0%	2%	-15%		

21. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

(f) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss to the other party by failing to discharge an obligation. The following policies and procedures are in place to mitigate the Group's exposure to credit risk:

A credit risk policy setting out the assessment and determination of what constitutes credit risk for the Group has been established and policies and procedures are in place to mitigate the Group's exposure to credit risk:

- Compliance with the receivable management policy is monitored and exposures and breaches are regularly reviewed for pertinence and for changes in the risk environment.

- For all classes of financial assets held by the Group, other than those relating to reinsurance contracts, the maximum credit risk exposure to the Group is the carrying value as disclosed in the consolidated financial statements at the reporting date.

- Reinsurance is placed with reinsurers approved by the management. To minimise its exposure to significant losses from reinsurer insolvencies, the Group evaluates the financial condition of its reinsurers and monitors concentrations of credit risk arising from similar geographic regions, activities or economic characteristics of the reinsurers.

To minimize its exposure to significant losses from reinsurer insolvencies, the Group evaluates the financial condition of its reinsures and monitors concentrations of credit risk arising from similar geographic regions, activities or economic characteristics of the reinsures.

At each reporting date, management performs an assessment of creditworthiness of reinsurers and updates the reinsurance purchase strategy, ascertaining suitable allowance for impairment.

Age analysis of financial assets as at the yearend is as follows:

December 31, 2015

	< 30 days	31 to 60 days	61 to 90 days	91 to 120 days	Above 120 days	Total
	USD ('000)	USD ('000)	USD ('000)	USD ('000)	USD ('000)	USD ('000)
Cash and cash equivalents	150,357	84,084	85,258	--	--	319,699
Insurance and other receivables	729,213	8,866	429	6,398	94,316	839,222
	879,570	92,950	85,687	6,398	94,316	1,158,921

21. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

(f) Credit risk (continued)

December 31, 2014

	< 30 days	31 to 60 days	61 to 90 days	91 to 120 days	Above 120 days	Total
	USD (‘000)	USD (‘000)	USD (‘000)	USD (‘000)	USD (‘000)	USD (‘000)
Cash and cash equivalents	20,792	63,814	43,563	--	--	128,169
Insurance and other receivables	198,338	4,513	5,035	4,759	11,261	223,906
	219,130	68,327	48,598	4,759	11,261	352,075

Impaired financial assets

At December 31, 2015 there are impaired insurance and other receivables of USD 355 thousand (2014: USD 355 thousand). For assets to be classified as “past–due and impaired” contractual payments must be in arrears for more than 90 days. No collateral is held as security for any past due or impaired assets.

The Group records all impairment allowances for loans and receivables in a separate impairment allowance account. A reconciliation of the allowance for impairment losses for loans and receivables is as follows:

	2015	2014
	USD (‘000)	USD (‘000)
At January 1,	**355**	355
Charged during the year	**--**	--
At December 31, (Note 6)	**355**	355

(g) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in raising funds to meet commitments associated with financial liabilities.

Liquidity requirements are monitored on a daily/weekly/monthly basis and management ensures that sufficient funds are available to meet any commitments as they arise.

Maturity profiles
The table below summarizes the maturity profile of the financial assets and financial liabilities of the Group based on remaining undiscounted contractual obligations, including interest payable and receivable. For insurance contracts liabilities and reinsurance contract assets, maturity profiles are determined based on estimated timing of net cash outflows from the recognized insurance liabilities. Unearned premiums and the reinsurer’s share of unearned premiums have been excluded from the analysis as they are not contractual obligations.

21. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

(g) Liquidity risk (continued)

	Up to a year	1 to 5 years	Over 5 years	Total
	USD ('000)	USD ('000)	USD ('000)	USD ('000)
December 31, 2015				
Financial assets : Non derivatives				
Available-for-sale investments -				
Debt securities	24,196	105,768	87,979	217,943
Held for trading investments -				
Managed Funds	12,753	--	--	12,753
Qatari Public shareholding companies	63,017	--	--	63,017
Quoted shares - International	11,862	--	--	11,862
Insurance and other receivables	678,083	131,448	29,691	839,222
Reinsurance contract assets	131,269	207,423	72,201	410,893
Cash and cash equivalents	319,699	--	--	319,699
	1,240,879	444,639	189,871	1,875,389

	Up to a year	1 to 5 years	Over 5 years	Total
	USD ('000)	USD ('000)	USD ('000)	USD ('000)
December 31, 2015				
Financial liabilities : Non derivatives				
Reinsurance and other payables	26,751	--	--	26,751
Due to related parties	446,182	92,013	20,784	558,979
Insurance contract liabilities	193,321	305,473	106,332	605,126
	666,254	397,486	127,116	1,190,856

21. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

(g) Liquidity risk (continued)

Maturity profiles (continued)

December 31, 2014	Up to a year USD ('000)	1 to 5 years USD ('000)	Over 5 years USD ('000)	Total USD ('000)
Financial assets : Non derivatives				
Available-for-sale investments -				
Debt securities	14,253	110,306	76,932	201,491
Held for trading investments -				
Managed Funds	1,701	--	--	1,701
Qatari Public shareholding companies	61,281	--	--	61,281
Quoted shares - International	21,954	--	--	21,954
Insurance and other receivables	159,465	47,927	16,514	223,906
Reinsurance contract assets	46,427	73,361	25,536	145,324
Cash and cash equivalents	128,169	--	--	128,169
	433,250	231,594	118,982	783,826

December 31, 2014	Up to a year USD ('000)	1 to 5 years USD ('000)	Over 5 years USD ('000)	Total USD ('000)
Financial liabilities : Non derivatives				
Reinsurance and other payables	17,970	--	--	17,970
Due to related parties	176,695	33,549	11,560	221,804
Insurance contract liabilities	78,698	124,354	43,286	246,338
	273,363	157,903	54,846	486,112

(h) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual security, or its issuer, or factors affecting all securities traded in the market. The Group limits market risk by maintaining a diversified portfolio and by continuous monitoring of developments in international and local equity and bond markets. In addition, The Group actively monitors the key factors that affect stock and bond market movements, including analysis of the operational and financial performance of investees.

i) Currency risk

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Group, with the support of the treasury function of its ultimate parent company, uses certain off balance sheet financial instruments to manage certain foreign currency investment exposures.

21. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

(h) Market risk (continued)

i) Currency risk (continued)

The table below summarizes the Group's exposure to foreign currency exchange rate risk at reporting date by categorizing assets and liabilities by major currencies.

December 31, 2015

	QR USD ('000)	EURO USD ('000)	GBP USD ('000)	Others* USD ('000)	Total USD ('000)
Cash and cash equivalents	**292,554**	**1,532**	**5,609**	**20,004**	**319,699**
Insurance and other receivables	**--**	**90,963**	**470,527**	**426,514**	**988,004**
Reinsurance contract assets	**--**	**75,764**	**462,571**	**316,806**	**855,141**
Investments	**63,017**	**--**	**305**	**242,253**	**305,575**
Total Assets	**355,571**	**168,259**	**939,012**	**1,005,577**	**2,468,419**
Insurance contract liabilities	**--**	**109,976**	**671,450**	**459,864**	**1,241,290**
Provisions, reinsurance and other payables	**--**	**15,059**	**46,451**	**77,266**	**138,776**
Total Liabilities	**--**	**125,035**	**717,901**	**537,130**	**1,380,066**

December 31, 2014

	QR USD ('000)	EURO USD ('000)	GBP USD ('000)	Others* USD ('000)	Total USD ('000)
Cash and cash equivalents	107,377	2,773	2,221	15,798	128,169
Insurance and other receivables	--	1,624	13,966	289,764	305,354
Reinsurance contract assets	--	38,055	143,228	160,595	341,878
Investments	61,281	--	447	224,699	286,427
Total Assets	168,658	42,452	159,862	690,856	1,061,828
Insurance contract liabilities	--	59,710	224,729	251,979	536,418
Provisions, reinsurance and other payables	--	540	1,130	78,262	79,932
Total Liabilities	--	60,250	225,859	330,241	616,350

*Others mainly represents exposure in reporting currency-United States Dollars.

The Group has no significant concentration of currency risk as Qatari Riyal is pegged to USD at a fixed rate.

21. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

(h) Market risk (continued)

i) Currency risk (continued)

The analysis that follows is performed for reasonably possible movements in key variables with all other variables held constant, showing the impact on profit before tax and equity due to changes in the fair value of currency sensitive monetary assets and liabilities including insurance contract claim liabilities. The correlation of variables will have a significant effect in determining the ultimate impact on market risk, but to demonstrate the impact due to changes in variables, variables had to be changed on an individual basis.

		Impact on profit or loss	
	Changes in variables	**December 31, 2015**	December 31, 2014
Currency		**USD ('000)**	USD ('000)
Euro	+10%	**402**	386
GBP	+10%	**1,597**	1,505
		1,999	1,891
Euro	-10%	**(402)**	(386)
GBP	-10%	**(1,597)**	(1,505)
		(1,999)	(1,891)

The method used for deriving sensitivity information and significant variables did not change from the previous period.

ii) Interest rate risk

Interest rate risk is the risk that the value of future cash flows from a financial instrument will fluctuate because of changes in market interest rates.

The Group invests in securities and has deposits that are subject to interest rate risk. Interest rate risk to the Group is the risk of changes in market interest rates reducing the overall return on its interest bearing securities.

The Group's interest risk policy requires managing interest rate risk by maintaining an appropriate mix of fixed and variable rate instruments. The policy also requires it to manage the maturities of interest bearing financial assets and interest bearing financial liabilities.

The Group limits interest rate risk by monitoring changes in interest rates in the currencies in which its cash and investments are denominated and has no significant concentration of interest rate risk.

21. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

(h) Market risk (continued)

ii) Interest rate risk (continued)

The analysis below is performed for reasonably possible movements in key variables with all other variables held constant, showing the impact on profit or loss and equity.

Currency	Changes in variables	**December 31, 2015** Impact on profit or loss (USD '000)	**December 31, 2015** Impact on equity (USD '000)	December 31, 2014 Impact on profit or loss (USD '000)	December 31, 2014 Impact on equity (USD '000)
Qatari Riyals	+50 basis points	**91**	**(4,752)**	489	(18,746)
Qatari Riyals	-50 basis points	**(91)**	**4,752**	(489)	18,746

The Group's interest rate risk based on contractual arrangements is as follows:

December 31, 2015

	Up to 1 year (USD '000)	**1 to 5 years (USD '000)**	**Over 5 years (USD '000)**	**Total (USD '000)**	**Effective interest rate (%)**
Cash and Cash equivalents	**319,699**	**--**	**--**	**319,699**	**1.77%**
Investments	**24,196**	**105,768**	**87,979**	**217,943**	**4.92%**
	343,895	**105,768**	**87,979**	**537,642**	

December 31, 2014

	Up to 1 year (USD'000)	1 to 5 years (USD '000)	Over 5 years (USD '000)	Total (USD '000)	Effective interest rate (%)
Cash and Cash equivalents	128,169	--	--	128,169	1.45%
Investments	14,253	110,306	76,932	201,491	4.77%
	142,422	110,306	76,932	329,660	

iii) Price risk

Price risk is the risk that the fair value of or income from a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

21. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

(h) Market risk (continued)

iii) Price risk (continued)

The Group's equity price risk exposure relates to financial assets and financial liabilities whose values will fluctuate as a result of changes in market prices, principally investment securities not held for the account of unit-linked business. The Group's price risk policy requires it to manage such risks by setting and monitoring objectives and constraints on investments, diversification plans, limits on investments in each country, sector and market and careful and planned use of derivative financial instruments. The Group has no significant concentration of price risk.

The analysis below is performed for reasonably possible movements in key variables with all other variables held constant, showing the impact on profit or loss and equity.

		December 31, 2015		December 31, 2014	
	Changes in variables	**Impact on profit or loss**	**Impact on equity**	Impact on profit or loss	Impact on equity
		(USD '000)	**(USD '000)**	(USD '000)	(USD '000)
Qatar Market	+10%	**--**	**6,302**	--	6,128
International Markets	+10%	**1,275**	**1,186**	170	2,195
Qatar Market	-10%	**--**	**(6,302)**	--	(6,128)
International Markets	-10%	**(1,275)**	**(1,186)**	(170)	(2,195)

The method used for deriving sensitivity information and significant variables did not change from the previous period.

(i) Operational risk

Operational risk is the risk of loss arising from system failure, human error, fraud or external events. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications or can lead to financial loss. The Group cannot expect to eliminate all operational risks, but by initiating a rigorous control framework and by monitoring and responding to potential risks, the Group is able to manage the risks.

The Group has detailed systems and procedures manuals with effective segregation of duties, access controls, authorisation and reconciliation procedures, staff training and assessment processes etc. with a compliance and internal audit framework. Business risks such as changes in environment, technology and the industry are monitored through the Group's strategic planning and budgeting process.

21. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

(j) Capital management

Objectives are set by the Group to maintain a strong credit rating and healthy capital ratios in order to support its business objectives and maximise shareholders value.

The Group manages its capital requirements by assessing shortfalls between reported and required capital levels on a regular basis. The Group fully complied with the externally imposed capital requirements during the reported financial year and no changes were made to its capital base, objectives, policies and processes from the previous year.

(k) Classifications and fair values

The following table compares the fair values of the financial instruments to their carrying values:

	December 31, 2015		December 31, 2014	
	Carrying amount	**Fair value**	Carrying amount	Fair value
	USD ('000)	**USD ('000)**	USD ('000)	USD ('000)
Cash and cash equivalents	**319,699**	**319,699**	128,169	128,169
Loans and receivables:				
Insurance and other receivables	**839,222**	**839,222**	223,906	223,906
Reinsurance contract assets	**410,893**	**410,893**	145,324	145,324
Investments:				
Held for trading	**12,753**	**12,753**	1,701	1,701
Available for sale investments	**292,822**	**292,822**	284,726	284,726
	1,875,389	**1,875,389**	783,826	783,826
Reinsurance and other payables	**26,751**	**26,751**	17,970	17,970
Due to related parties	**558,979**	**558,979**	221,804	221,804
Insurance contract liabilities	**605,126**	**605,126**	246,338	246,338
	1,190,856	**1,190,856**	486,112	486,112

22. DETERMINATION OF FAIR VALUE AND FAIR VALUES HIERARCHY

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy. The different levels have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices)
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs)

22. DETERMINATION OF FAIR VALUE AND FAIR VALUES HIERARCHY (CONTINUED)

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy:

	Level 1	Level 2	Level 3	Total fair value
	USD ('000)	USD ('000)	USD ('000)	USD ('000)
December 31, 2015				
Held for trading	**--**	**12,753**	**--**	**12,753**
Available for sale	**292,822**	**--**	**--**	**292,822**
	292,822	**12,753**	**--**	**305,575**
December 31, 2014				
Held for trading	--	1,701	--	1,701
Available for sale	284,726	--	--	284,726
	284,726	1,701	--	286,427

23. BUSINESS COMBINATION UNDER COMMON CONTROL

Effective December 31, 2015, the Parent Company merged the business of Antares Reinsurance Limited (a Bermuda entity with registration number of EC 40716), a fully owned subsidiary of Antares Holding Limited UK. Antares Holding Limited UK, in turn, owned by Qatar Insurance Company SAQ, the ultimate parent company of the Group. The regulatory close of the transactions was completed on January 25, 2016 by updating the records of Registrar of Companies, Bermuda with an effective date of merger as per the records being December 31, 2015. The transaction is considered as transaction under "common control" as the control of the Parent Company and Antares Reinsurance Limited vested with Qatar Insurance Company SAQ. Accordingly, there is no goodwill or gain on bargain purchase recognised by the Group.

The book value of the identifiable assets and liabilities of Antares Reinsurance Limited as at the date of merger were the following:

	As at December 31, 2015
	USD ('000)
Assets	
Cash and cash equivalents	**33,250**
Insurance and other receivables	**91,230**
Investments	**126,539**
Total assets	**251,019**
Liability	
Provisions, reinsurance and other payables	**7,302**
Total liability	**7,302**
Book value of net assets merged with the Parent Company	**243,717**

Net book value of assets transferred to the Parent Company is recognised as "Contributed Surplus" account in the equity. The net cash inflow to the Group out of this merger transaction is USD 33,250 thousand.

23. BUSINESS COMBINATION UNDER COMMON CONTROL (CONTINUED)

There is no revenue or operational result of Antares Reinsurance Limited for the year ended December 31, 2015 (or any previous years) included in these consolidated financial statements of the Group.

QATAR REINSURANCE COMPANY LLC
(PREVIOUSLY KNOWN AS Q-RE LLC)
DOHA - QATAR

FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED
DECEMBER 31, 2014

QATAR REINSURANCE COMPANY LLC (PREVIOUSLY KNOWN AS Q-RE LLC)

FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

For the year ended December 31, 2014

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INDEPENDENT AUDITOR'S REPORT

The Shareholders
Qatar Reinsurance Company LLC
Doha – Qatar

Report on the Financial Statements

We have audited the accompanying financial statements of Qatar Reinsurance Company LLC (previously known as Q-RE LLC) (the "Company"), which comprise the statement of financial position as at December 31, 2014 and the statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2014 and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Doha – Qatar
January 29, 2015

For **Deloitte & Touche**
Qatar Branch

Deloitte & Touche

QATAR REINSURANCE COMPANY LLC (PREVIOUSLY KNOWN AS Q-RE LLC)

STATEMENT OF FINANCIAL POSITION

As at December 31, 2014

	Notes	December 31, 2014 QR ('000)	December 31, 2013 QR ('000)
ASSETS			
Cash and cash equivalents	5	**466,534**	741,989
Insurance and other receivables	6	**1,111,489**	504,953
Reinsurance contract assets	7	**1,244,436**	676,905
Investments	8	**1,042,593**	658,363
Property and equipment	9	**6,801**	8,290
TOTAL ASSETS		**3,871,853**	2,590,500
LIABILITIES AND EQUITY			
LIABILITIES			
Provisions, reinsurance and other payables	10	**290,954**	143,170
Due to related parties	11	**807,365**	427,984
Insurance contract liabilities	7	**1,952,560**	1,414,456
TOTAL LIABILITIES		**3,050,879**	1,985,610
EQUITY			
Share capital	12	**730,000**	554,913
Share premium	13	**9,652**	9,652
Fair value reserve	14	**(3,637)**	13,344
Retained earnings		**84,959**	26,981
TOTAL EQUITY		**820,974**	604,890
TOTAL LIABILITIES AND EQUITY		**3,871,853**	2,590,500

These financial statements were approved by the Board of Directors on January 29, 2015 and signed on their behalf by following signatories;

Sheikh Jassim Bin Hamad Bin Jassim Bin Jabor Al Thani
Chairman

Khalifa Abdulla Turki Al Subaey
Managing Director

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

QATAR REINSURANCE COMPANY LLC (PREVIOUSLY KNOWN AS Q-RE LLC)

STATEMENT OF INCOME

For the year ended December 31, 2014

	Notes	**December 31, 2014 QR ('000)**	December 31, 2013 QR ('000)
Gross premiums	15	**1,950,597**	1,225,142
Premiums ceded to reinsurers	15	**(1,302,112)**	(748,146)
Net premiums		**648,485**	476,996
Net movement in unexpired risk reserve	15	**(156,771)**	(101,750)
Net earned premiums		**491,714**	375,246
Gross claims paid	15	**(649,032)**	(321,186)
Reinsurance recoveries	15	**407,734**	112,614
Net movement in outstanding claims	15	**(173,134)**	(97,824)
Net commissions	15	**23,472**	(28,136)
Net underwriting results		**100,754**	40,714
Investment income	16	**99,787**	71,518
Total income		**200,541**	112,232
Operating and administrative expenses	17	**(139,558)**	(108,133)
Depreciation	9	**(3,005)**	(2,133)
Profit for the year		**57,978**	1,966
Basic and diluted earnings per share	19	**0.84**	0.04

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

QATAR REINSURANCE COMPANY LLC (PREVIOUSLY KNOWN AS Q-RE LLC)

STATEMENT OF COMPREHENSIVE INCOME

For the year ended December 31, 2014

	December 31, 2014 QR ('000)	December 31, 2013 QR ('000)
Profit for the year	**57,978**	1,966
Other comprehensive loss		
Net unrealized loss of available-for-sale financial assets	**(16,981)**	(19,800)
Total comprehensive income /(loss) for the year	**40,997**	(17,834)

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

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QATAR REINSURANCE COMPANY LLC (PREVIOUSLY KNOWN AS Q-RE LLC)

STATEMENT OF CHANGES IN EQUITY

For the year ended December 31, 2014

	Share Capital	Share premium	Fair value reserve	Retained earnings	Total equity
	QR ('000)	QR ('000)	QR ('000)	QR ('000)	QR ('000)
Balance at January 1, 2013	372,413	9,652	33,144	25,015	440,224
Profit for the year	--	--	--	1,966	1,966
Net unrealized loss on available for sale financial assets	--	--	(19,800)	--	(19,800)
Total comprehensive loss for the year	--	--	(19,800)	1,966	(17,834)
Shares issued during the year	182,500	--	--	--	182,500
Balance at December 31, 2013	554,913	9,652	13,344	26,981	604,890
Profit for the year	--	--	--	57,978	57,978
Net unrealized loss on available-for-sale financial assets	--	--	(16,981)	--	(16,981)
Total comprehensive income for the year	--	--	(16,981)	57,978	40,997
Shares issued during the year	175,087	--	--	--	175,087
Balance at December 31, 2014	**730,000**	**9,652**	**(3,637)**	**84,959**	**820,974**

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

QATAR REINSURANCE COMPANY LLC (PREVIOUSLY KNOWN AS Q-RE LLC)

STATEMENT OF CASH FLOWS

For the year ended December 31, 2014

	Note	December 31, 2014 QR ('000)	December 31, 2013 QR ('000)
OPERATING ACTIVITIES			
Profit for the year		**57,978**	1,966
Adjustments for:			
Depreciation of property and equipment		**3,005**	2,133
Interest income and investment income		**(99,658)**	(71,700)
Provision for employees' end of service benefits		**600**	600
Property and equipment written off		**--**	4,071
(Gain) / loss on disposal of property and equipment		**(129)**	182
		(38,204)	(62,748)
Movements in working capital			
Insurance and other receivables		**(606,536)**	(432,699)
Due from a related party		**--**	11,101
Insurance reserves		**(29,427)**	199,576
Provisions, insurance and other payables		**147,548**	94,031
Due to related parties		**379,381**	427,984
Cash generated from operations		**(147,238)**	237,245
Employees' end of service benefits paid		**(364)**	(121)
Net cash (used in) / generated from operating activities		**(147,602)**	237,124
INVESTING ACTIVITIES			
Net cash movements in investments		**(401,211)**	(410,742)
Purchase of property and equipment		**(1,517)**	(8,635)
Interest and investment income received		**99,658**	71,700
Proceeds from sales of property and equipment		**130**	--
Net cash (used in) / generated from investing activities		**(302,940)**	(347,677)
FINANCING ACTIVITY			
Proceeds from new shares issued		**175,087**	182,500
Net cash generated from a financing activity		**175,087**	182,500
(Decrease) / increase in cash and cash equivalents		**(275,455)**	71,947
Cash and cash equivalents at beginning of the year		**741,989**	670,042
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	5	**466,534**	741,989

1. LEGAL STATUS AND PRINCIPAL ACTIVITIES

Qatar Reinsurance Company LLC (Previously known as "Q-Re LLC") (the "Company") is a company engaged in the business of reinsurance and was authorized by the Qatar Financial Centre Regulatory Authority (QFCRA) on December 6, 2009 (QFC No. 00117). The Company is incorporated as a Limited Liability Company (LLC) under the companies' regulations by QFC companies' registration office. The company is 40.00% (2013: 39.74%) owned and controlled by QIC International LLC (the Parent Company). Qatar Insurance Company S.A.Q., the ultimate parent company, owns 55.38% (2013: 55.64%) of the Company. The Company commenced its commercial operations as at January 1, 2010.

The Company operates in the State of Qatar and has branch in Switzerland, Bermuda and a representative office in United Kingdom.

During the year, based on the decision of Board of Director and Shareholders, the Company has amended its name to "Qatar Reinsurance Company LLC" from its previous registered name of "Q-RE LLC." Accordingly, the records with QFC Companies Registration Office are legally updated to reflect the amendment.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

In the current financial year, the Company has adopted certain new and revised standards and interpretations, which is mainly:

IAS 36 Certain amendments arising from recoverable amount disclosures for non-financial assets

The revised standards issued by IASB and IFRIC interpretations which are effective from the accounting period commencing January 1, 2014, had no significant effect on the financial statements of the Company for the year ended December 31, 2014.

The following IASB Standards and IFRIC interpretations issued but, are not mandatory for the year ended December 31, 2014, have not yet been adopted by the Company:

- IFRS 9 - "Financial Instruments" was issued to replace IAS 39 – "Financial Instruments: Recognition and Measurement". IFRS 9 simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortized cost and fair value. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. IFRS 9 Financial Instruments will be applicable for annual periods beginning on or after January 1, 2018;

- Certain consequential amendments to IFRS 7 "Financial Instrument disclosures" and IAS 39 (Revised) due to application of IFRS 9, detailed above.

- Amendments reinstating the equity method as an accounting option for investments in in subsidiaries, joint ventures and associates in an entity's separate financial statements.

The Company is currently in the process of evaluating the potential effect of these amendments in the presentation of the financial statements. A number of new standards, amendments to standards and interpretations that are not yet effective for the year ended December 31, 2014 have not been applied in preparing these financial statements. The Company does not expect the proposed amendments which becomes mandatory for the financial statements for the year 2014 or thereafter, to have a significant impact on the financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance
The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Basis of preparation
The financial statements have been prepared on the historical cost basis except for available for sale financial assets and held for trade financial instruments that are measured at fair value. These financial statements are presented in Qatari Riyals (QR) and rounded to the nearest thousand (QR '000), unless otherwise indicated. The principal accounting policies are set out below:

a) Foreign currency translation

Foreign operations
The financial statements of the Company are presented in the currency of the primary economic environment in which the Company operates (functional currency). For the purpose of these financial statements, the results and financial position of Company is expressed in the functional currency Company. The assets and liabilities of foreign operations are translated to Qatari Riyals using exchange rates prevailing at the reporting date. Income and expenses are also translated to Qatari Riyals at the exchange rates prevailing at the reporting date, which do not significantly vary from the average exchange rates for the year. Foreign currency translation reserve is not shown separately under equity due to insignificance of the amount.
Foreign currency transactions
Foreign currency transactions are recorded in the respective functional currencies of branches at the rates of exchange prevailing at the date of each transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the rate of exchange prevailing at the year end. The resultant exchange differences are included in the statement of income.

b) Financial instruments
Financial instruments represent the Company's financial assets and liabilities. Financial assets include cash and cash equivalents, insurance and other receivables, reinsurance contract assets and investments. Financial liabilities include insurance and other payables. Financial asset or liability is initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in the statement of income.

Recognition
The Company initially recognizes cash and cash equivalents, insurance and other receivables, insurance and other payables on the date they originate. All other financial assets and liabilities are initially recognized on the trade date or settlement date at which the Company becomes a party to the contractual provisions of the instrument.

De-recognition
The Company derecognizes a financial asset when the contractual rights to receive cash flows from that asset expire or it transfers the right to receive the contractual cash flow of that asset in a transaction in which substantially all the risks and rewards of ownership of the financial assets are transferred. Any interest in the transferred financial assets that is created or retained by the Company is recognized as a separate asset or liability. The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled or expired.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

b) Financial instruments (continued)

Measurement

The measurement of financial assets and liabilities is disclosed under accounting policy for respective financial assets and liabilities.

Fair values of financial instruments

Fair value is the amount for which an asset could be exchanged or a liability settled between knowledgeable willing parties in an arm's length transaction on the measurement date. Differences can therefore arise between the book values under the historical cost method and fair value estimates.

Underlying the definition of fair value is a presumption that an enterprise is in a going concern without any intention or need to liquidate, curtail materially the scale of its operations or undertake a transaction on adverse terms.

Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognized in the profit or loss as they arise.

Fair values of marketable investments are determined by reference to their bid prices at the close of business at the reporting date. In respect of unquoted available for sale financial assets, the fair value is determined based on various valuation techniques, as deemed appropriate. The fair values of the Company's other financial assets and financial liabilities are not materially different from their carrying values.

Identification and measurement of impairment

At each reporting date, the Company assesses whether there is an objective evidence that any financial asset is impaired. Financial assets are impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset, and that the loss event has an impact on the future cash flows of the asset that can be estimated reliably. Objective evidence that financial assets are impaired can include default or delinquency by a customer or insurer or reinsurer, indications that the customer or insurer or reinsurer will enter bankruptcy or the disappearance of an active market for a security. In addition for an investment in equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment. Impairment loss on assets are recognized as profit or loss and reflected in an allowance against receivables or investments.

c) Insurance operations

i) Insurance and other receivables

Insurance and other receivables are recognized when due and measured on initial recognition at the fair value of the consideration received or receivable. The carrying value of the receivables is reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable, with the impairment loss recorded in the statement of income. After initial measurement, insurance and other receivables are measured at amortized cost, as deemed appropriate.

ii) Reinsurance contract assets

The Company cedes insurance risk in the normal course of business as part of its business model. Reinsurance assets represent balances recoverable from reinsurance companies. Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision or settled claims associated with the reinsurers' policies and are in accordance with the related reinsurance contract.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

c) Insurance operations (continued)

iii) Reinsurance and other payables

Reinsurance and other payables are recognized when due and measured on initial recognition at the fair value of the consideration received less directly attributable transaction costs. After initial measurement, reinsurance and other payables are measured at amortized cost, as deemed appropriate.

iv) Gross premiums

Gross premiums are recognized when written and include an estimate for written premiums receivable at period end. Gross premiums comprise the total premiums receivable for the whole period of cover provided by reinsurance contracts entered into during the accounting period. Gross premiums also include any adjustments arising in the accounting period for premiums receivable in respect of business written in prior accounting periods.

Premium on reinsurance contracts are recognized as revenue (earned premiums) proportionally over the period of coverage. The portion of premium received on in-force contracts that relates to unexpired risks at the reporting date are reported as the unearned premium reserve.

v) Premiums ceded to reinsurers

Reinsurance premiums comprise the total premiums payable for reinsurance cover provided by the retrocession contracts entered into during the period and are recognized on the date on which the policy incepts. Reinsurance premiums also include any adjustments arising in the accounting period in respect of retrocession contracts incepting in prior accounting periods. Unearned reinsurance premiums are those proportions of reinsurance premium written in a year that relate to periods of risk after the reporting date.

vi) Insurance contract liabilities

Insurance contract liabilities are recognized when contracts are entered into and premiums are charged.

Provision for outstanding claims

Provision for outstanding claims is recognized at the date the claims are known and covers the liability for loss and loss adjustment expenses based on loss reports from independent loss adjusters and management's best estimate.

Claims provision also includes liability for claims incurred but not reported as at the reporting date. The liability is calculated at the reporting date using a range of historic trends, empirical data and current assumptions that may include a margin for adverse deviations. The liability is not discounted for the time value of money.

Unexpired risk reserve

The provision for unearned premiums represents that portion of premiums received or receivable, after deduction of the reinsurance share that relates to risks that have not yet expired at the reporting date. The provision is recognised when contracts are entered into and premiums are charged, and is brought to account as premium income over the term of the underlying reinsurance contract, depending upon the nature and type of reinsurance contract written.

Insurance contract liabilities are derecognised when the contract expires, discharged or cancelled by any party to the insurance contract.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

vii) Gross claims paid

Gross claims include all claims paid during the year and the related internal and external claims handling costs that are directly related to the processing and settlement of claims.

viii) Commission earned and paid

Commissions earned and paid by the Company have been deferred and are amortized over the same period over which the corresponding premiums are recognized.

d) Investment activities

The Company classifies its investments into financial assets at fair value through profit or loss and available for sale financial assets. The classification depends on the purpose for which the investments were acquired or originated.

i) Non-derivative financial instruments

All investments are initially recognized at cost, being the fair value of the consideration given including acquisition charges associated with the investment.

Financial assets at fair value through profit or loss (Held for trading)

These investments are carried at fair value with any gain or loss arising from the change in fair value included in the statement of income in the year in which it arises.

Available for sale (Quoted)

Subsequent to initial recognition, investments which are classified "available for sale - quoted" are re-measured at fair value. The unrealized gains and losses on re-measurement to fair value are reported as a separate component of equity until the investment is sold, collected or otherwise disposed of, or the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in the statement of income for the year.

ii) Fair value reserve

This represents the unrealized gain or loss on year-end fair valuation of available for sale investments. In the event of sale or impairment, the cumulative gains or losses recognized under the investments fair value reserve are included in statement of income for the year.

iii) Investment income

Interest income

Interest income is recognized on a time proportionate basis taking account of the principal invested and the interest rate applicable.

Dividend income

Dividend income is recognized when the right to receive the dividends is established or when received.

e) General

i) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand and short-term deposits with an original maturity of six months or less in the statement of financial position. The cash equivalents are readily convertible to cash.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

ii) Property and equipment

Property and equipment are carried at historical cost less accumulated depreciation. Subsequent expenditure is capitalised only when it is probable that future economic benefits associated with the expenditure will flow to the Company. Ongoing repairs and maintenance are charged to statement of income during the financial period in which they are incurred.

The assets' residual values, useful lives and method of depreciation applied are reviewed and adjusted, if appropriate, at each financial year end and adjusted prospectively, if appropriate. Impairment reviews are performed when there are indicators that the carrying value may not be recoverable. Impairment losses are recognised in the statement of income as an expense.

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognised in the statement of income in the year the asset is derecognised.

Depreciation is provided on a straight line basis on all property and equipment other than freehold land which is determined to have an indefinite life. The rates of depreciation are based upon the following estimated useful lives:

Furniture and fixtures	- 2 to 5 years
Motor vehicles	- 3 years

Depreciation methods, useful lives and residual values are reviewed and adjusted if appropriate at each reporting date.

iii) Impairment of non financial assets

An assessment is made at each reporting date to determine whether there is objective evidence that an asset or Company of assets may be impaired. If such evidence exists, the estimated recoverable amount of that asset is determined and an impairment loss is recognized for the difference between the recoverable amount and the carrying amount. Impairment losses are recognized in the statement of income.

iv) Provisions

The Company recognizes provisions in the statement of financial position when the Company has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. The provision is created by charging the statement of income for any obligations or contingent liabilities as per the calculated value for these obligations and the expectation of their realization at the reporting date.

v) Employees' end of service benefits

Provision is made for amounts payable in respect of employees' end of service benefits based on contractual obligations or respective local labour laws of the Company, whichever is higher, and is calculated using the employee's salary and period of service at the reporting date.

vi) Other assets and liabilities

All other assets and liabilities which are financial instruments are stated at cost, being the fair value and recognized at amounts to be received or to be paid in the future.

vii) Taxation

The regulations introducing the new tax regime for the Qatar Financial Centre have been formally approved, and all QFC firms will be subject to the tax with effect from January 1, 2010. Tax will be charged at a rate of 10% on profits generated from a local source. Exemptions, however, have been given to firms carrying on activities in the areas of asset management, reinsurance and captive insurance as these are areas actively being encouraged in Qatar by the QFC.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

viii) Earnings per share

The Company presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit attributable to ordinary shareholders of the Company by the weighted number of ordinary shares outstanding during the year. Diluted EPS is calculated by adjusting the earnings and number of shares for the effects of all dilutive potential shares.

ix) Segment reporting

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with components. All operating segments' operating results are reviewed regularly by the management to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

4. CRITICAL JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Company's accounting policies, which are described in note 3, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimations, that management has made in the process of applying its accounting policies and that have the most significant effect on the amounts recognised in financial statements:

Classification of investments

Management decides on the acquisition of an investment whether to classify it as available for sale or financial assets at fair value through profit or loss. The Company classifies investments as financial assets at fair value through profit or loss if the investment is classified as held for trading and upon initial recognition it is designated by the Company as at fair value through profit or loss. All other investments are classified as available for sale.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the statement of financial position date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year:

Impairment of financial assets

The Company determines whether available for sale financial assets are impaired when there has been a significant or prolonged decline in their fair value below cost. This determination of what is significant or prolonged requires considerable judgment by the management. In making this judgment and to record whether impairment occurred, the Company evaluates among other factors, the normal volatility in share price, the financial health of the investee, industry and sector performance, changes in technology and operational and financial cash flows.

4. CRITICAL JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

Claims made under insurance contract
Claims and loss adjustment expenses are charged to income as incurred based on the estimated liability for compensation owed to contract holders or third parties damaged by the contract holders. Liabilities for unpaid claims are estimated using the input of assessments for individual cases reported to the Company and management estimations for the claims incurred but not reported. The method for making such estimates and for establishing the resulting liability is continually reviewed. Any difference between the actual claims and the provisions made are included in the statement of income in the year of settlement. As of December 31, 2014 estimate for unpaid claims amounted to QR 367,690 thousand (2013: QR 547,061 thousand).

For certain line of businesses (non-life), in order to estimate the liabilities, the expected loss ratios are calculated for all underlying insurance contracts. The amounts estimated as the difference between the current estimated losses and the reported loses are set aside as the incurred but not reported reserve for the losses that have been incurred but which are not yet known or have still to be reported.

Impairment of insurance and other receivables
An estimate of the collectible amount of insurance and other receivables is made when collection of the full amount is no longer probable. This determination of whether these insurance and other receivables are impaired entails the Company evaluating, the credit and liquidity position of the policyholders and the insurance companies, historical recovery rates including detailed investigations carried out as at reporting date and feedback received from their legal department. The difference between the estimated collectible amount and the book amount is recognized as an expense in the statement of income. Any difference between the amounts actually collected in the future periods and the amounts expected will be recognized in the statement of income at the time of collection.

As of December 31, 2014 the net carrying values of insurance receivable and reinsurance receivables amounted to QR 672,522 thousand (2013: QR 417,409 thousand) and provision for impairment on insurance receivable and reinsurance receivable amounted to QR 1,291 thousand (2013: QR 1,291 thousand).

Liability Adequacy Test
At each reporting, liability adequacy tests are performed to ensure the adequacy of insurance contract liabilities. The Company makes use of the best estimates of future contractual cash flows and claims handling and administration expenses, as well as investment income from the assets backing such liabilities in evaluating the adequacy of the liability. Any deficiency is immediately charged to the statement of income.

5. CASH AND CASH EQUIVALENTS

	2014	2013
	QR ('000)	QR ('000)
Cash in hand and bank balances	**75,684**	73,476
Time deposits (mature within 6 months)	**390,850**	668,513
	466,534	741,989

The average interest rate on time deposits is 1.45% (2013: 1.59%) per annum.

6. INSURANCE AND OTHER RECEIVABLES

	2014 QR ('000)	2013 QR ('000)
Insurance receivables		
Due from insurance companies	**673,813**	418,700
Impairment losses on doubtful receivables	**(1,291)**	(1,291)
	672,522	417,409
Other receivables		
Deferred commission	**293,299**	78,646
Accrued deposit premium	**141,824**	--
Prepayments	**3,031**	5,108
Local debtors	**675**	3,491
Advances against indemnity	**138**	--
Others receivables	**--**	299
	438,967	87,544
	1,111,489	504,953

7. INSURANCE CONTRACT LIABILITIES AND REINSURANCE CONTRACT ASSETS

	2014 QR ('000)	2013 QR ('000)
Gross insurance contract liabilities		
Claims reported unsettled	**559,024**	608,601
Claims incurred but not reported	**337,645**	278,902
Unearned premiums	**1,055,891**	526,953
	1,952,560	1,414,456
Reinsurers' share of insurance contract liabilities		
Claims reported unsettled	**305,550**	170,753
Claims incurred but not reported	**223,429**	169,689
Unearned premiums	**715,457**	336,463
	1,244,436	676,905
Net insurance contract liabilities		
Claims reported unsettled	**253,474**	437,848
Claims incurred but not reported	**114,216**	109,213
Unearned premiums	**340,434**	190,490
	708,124	737,551

7. INSURANCE CONTRACT LIABILITIES AND REINSURANCE CONTRACT ASSETS (CONTINUED)

Movements in claims provision during the year are as follows:

	2014			2013		
	Insurance contract liabilities	**Reinsurers' share**	**Net**	Insurance contract liabilities	Reinsurers' share	Net
	QR ('000)	**QR ('000)**	**QR ('000)**	QR ('000)	QR ('000)	QR ('000)
As at January 1,	**887,503**	**340,442**	**547,061**	601,320	152,083	449,237
Claims incurred during the year	**1,046,389**	**631,957**	**414,432**	607,369	300,973	306,396
Claims paid during the year	**(649,032)**	**(407,734)**	**(241,298)**	(321,186)	(112,614)	(208,572)
Transfer to QIC Group SPC	**(388,191)**	**(35,686)**	**(352,505)**	--	--	--
As at December 31,	**896,669**	**528,979**	**367,690**	887,503	340,442	547,061

Movements in provision for unearned premium during the year are as follows:

	2014			2013		
	Insurance contract liabilities	**Reinsurers' share**	**Net**	Insurance contract liabilities	Reinsurers ' share	Net
	QR ('000)	**QR ('000)**	**QR ('000)**	QR ('000)	QR ('000)	QR ('000)
As at January 1,	**526,953**	**336,463**	**190,490**	91,443	2,703	88,740
Premiums written during the year	**1,950,597**	**1,302,112**	**648,485**	1,225,142	748,146	476,996
Premiums earned during the year	**(1,402,153)**	**(910,439)**	**(491,714)**	(789,632)	(414,386)	(375,246)
Transfer to QIC Group SPC	**(19,506)**	**(12,679)**	**(6,827)**	--	--	--
As at December 31,	**1,055,891**	**715,457**	**340,434**	526,953	336,463	190,490

During the year, the Company has commuted the claims outstanding and related insurance reserves in the books as at September 30, 2014 relating to certain policies issued on or before December 31, 2012 to a related party – Qatar Insurance company SAQ for a total consideration of QR 359.33 million. The first installment of 25% for the commutation is paid in cash by the Company during the year as per agreement and the balance amount is payable during the financial year 2015.

8. INVESTMENTS

		December 31, 2014 QR ('000)		December 31, 2013 QR ('000)
Held for trading investments				
Managed funds		**6,192**		5,809
Available-for-sale financial assets				
Qatari public shareholding companies		**223,064**		96,079
Quoted shares		**79,911**		47,586
Bonds	**1,609,517**		1,102,670	
Less : Margin collateral	**(876,091)**	**733,426**	(593,781)	508,889
Total available for sale financial assets – net		**1,036,401**		652,554
Total		**1,042,593**		658,363

Fixed income instrument purchases have been financed using short-term borrowings which typically roll on every coupon payment date. These are normally priced using LIBOR plus spread which ranges from 50 bps to 150 bps. These borrowings carried an average interest rate of 0.70% in 2014 (2013: 0.90%).

9. PROPERTY AND EQUIPMENT

	Furniture and fixtures	Motor vehicle	Capital work in progress	Total
	QR ('000)	QR ('000)	QR ('000)	QR ('000)
Cost				
As at January 1, 2013	2,917	88	5,174	8,179
Transfer in during the year	5,174	--	(5,174)	--
Additions during the year	7,935	700	--	8,635
Disposals during the year	(1,327)	(30)	--	(1,357)
Write-off	(4,071)	--	--	(4,071)
As at December 31, 2013	10,628	758	--	11,386
Additions during the year	1,243	274	--	1,517
Disposals during the year	(89)	(58)	--	(147)
As at December 31, 2014	**11,782**	**974**	**--**	**12,756**
Accumulated depreciation				
As at January 1, 2013	2,050	88	--	2,138
Charge for the year	1,984	149	--	2,133
Disposals	(1,145)	(30)	--	(1,175)
As at December 31, 2013	2,889	207	--	3,096
Charge for the year	2,720	285	--	3,005
Disposals	(88)	(58)	--	(146)
As at December 31, 2014	**5,521**	**434**	**--**	**5,955**
Net Book Value:				
As at December 31, 2014	**6,261**	**540**	**--**	**6,801**
As at December 31, 2013	7,739	551	--	8,290

10. PROVISIONS, REINSURANCE AND OTHER PAYABLES

	2014	2013
	QR ('000)	QR ('000)
Deferred commission	**194,245**	75,611
Due to reinsurance companies	**57,045**	41,696
Accrued expenses	**31,300**	21,317
Other payables:		
Employees' end of service benefits (Note 10.1)	**1,827**	1,591
Board of directors remuneration payable	**2,141**	1,000
Local creditors	**4,396**	268
Other credit balances	**--**	1,687
	290,954	143,170

10.1 EMPLOYEES' END OF SERVICE BENEFITS

	2014	2013
	QR('000)	QR('000)
Balance at the beginning of the year	1,591	1,112
Charge for the year	600	600
Payments made during the year	(364)	(121)
Balance at the end of year	1,827	1,591

11. DUE TO RELATED PARTIES

This represents balance due to Qatar Insurance Company S.A.Q (the "ultimate parent company") and its subsidiaries for transactions which occurred during the year. Pricing policies, terms and payment for these transactions are approved by the Company's management.

12. SHARE CAPITAL

The issued and fully paid in cash share capital consists of 73,000,000 (2013: 55,491,290) ordinary shares of QR 10 each.

The authorized share capital comprised of 73,000,000 shares (2013: 73,000,000 shares) of QR 10 each.

During the year, the company has made right shares offer of 17,508,710 (2013: 18,250,000) shares at QR 10 totaling to QR 175,087 thousand (2013: QR 182,500 thousand) to the existing shareholders at the proportion of their shareholding in the company as at March 16, 2014 and it has been fully subscribed and the shares were fully allotted to the shareholders after due approval from the shareholders and competent authorities.

13. SHARE PREMIUM

The share premium reflects the amount received in excess of the par value of the shares issued.

14. FAIR VALUE RESERVE

The fair value reserve arose from the revaluation of available for sale investments as per the accounting policies detailed in note 3.

15. SEGMENT INFORMATION

a) Segment information

For management reporting purposes, the Company is organized into two business segments - Marine and Aviation, and Fire and General. These segments are the basis on which the Company reports its operating segment information.

Segment statement of income for the year ended December 31, 2014

	Marine and Aviation	Property & Casualty	Total Underwriting	Investments	Un-allocated (Expenses)/ Income	Total
	QR('000)	QR('000)	QR('000)	QR('000)	QR('000)	QR('000)
Gross premiums	79,660	1,870,937	1,950,597	--	--	1,950,597
Premiums ceded to reinsurers	(46,332)	(1,255,780)	(1,302,112)	--	--	(1,302,112)
Net premiums	33,328	615,157	648,485	--	--	648,485
Movement in unexpired risk reserve	(7,827)	(148,944)	(156,771)	--	--	(156,771)
Net earned premiums	25,501	466,213	491,714	--	--	491,714
Gross claims paid	(67,061)	(581,971)	(649,032)	--	--	(649,032)
Reinsurance recoveries	33,839	373,895	407,734	--	--	407,734
Movement in outstanding claims	(12,869)	(160,265)	(173,134)	--	--	(173,134)
Net commissions	(231)	23,703	23,472	--	--	23,472
Net underwriting results	(20,821)	121,575	100,754	--	--	100,754
Investment income and other income	--	--	--	99,658	129	99,787
Total income	(20,821)	121,575	100,754	99,658	129	200,541
Operating and administrative expenses	--	--	--	--	(139,558)	(139,558)
Depreciation	--	--	--	--	(3,005)	(3,005)
Segment results	(20,821)	121,575	100,754	99,658	(142,434)	57,978

15. SEGMENT INFORMATION (CONTINUED)

a) Segment information (continued)

Segment statement of income for the period ended December 31, 2013

	Marine and Aviation	Property & Casualty	Total Underwriting	Investments	Un-allocated (Expenses)/ Income	Total
	QR('000)	QR('000)	QR('000)	QR('000)	QR('000)	QR('000)
Gross premiums	77,676	1,147,466	1,225,142	--	--	1,225,142
Premiums ceded to reinsurers	(41,844)	(706,302)	(748,146)	--	--	(748,146)
Net premiums	35,832	441,164	476,996	--	--	476,996
Movement in unexpired risk reserve	(2,055)	(99,695)	(101,750)	--	--	(101,750)
Net earned premiums	33,777	341,469	375,246	--	--	375,246
Gross claims paid	75,867	(397,053)	(321,186)	--	--	(321,186)
Reinsurance recoveries	16,655	95,959	112,614	--	--	112,614
Movement in outstanding claims	14,291	(112,115)	(97,824)	--	--	(97,824)
Net commissions	(2,202)	(25,934)	(28,136)	--	--	(28,136)
Net underwriting results	138,388	(97,674)	40,714	--	--	40,714
Investment income and other income	--	--	--	71,700	(182)	71,518
Total income	138,388	(97,674)	40,714	71,700	(182)	112,232
Operating and administrative expenses	--	--	--	--	(108,133)	(108,133)
Depreciation	--	--	--	--	(2,133)	(2,133)
Segment results	138,338	(97,674)	40,714	71,700	(110,448)	1,966

Segment assets and liabilities

Assets and liabilities of the Company are commonly used across the operating segments.

16. INVESTMENT INCOME

	2014	2013
	QR ('000)	QR ('000)
Interest income	**61,633**	45,274
Dividends	**8,303**	1,699
Profit on sale of available for sale financial assets	**29,877**	24,727
Other losses	**(26)**	(182)
	99,787	71,518

17. OPERATING AND ADMINISTRATIVE EXPENSE

	2014	2013
	QR ('000)	QR ('000)
Employees related cost	**91,112**	63,643
Office rent	**10,933**	13,140
Maintenance & IT hosting	**10,020**	6,846
Board of directors' remuneration (Note 18)	**1,500**	--
Other operating expenses	**25,993**	24,504
	139,558	108,133

18. BOARD OF DIRECTORS' REMUNERATION

In accordance with the Articles of Association of the Company, the Board of Directors' remuneration for the year 2014 has been proposed at QR. 1,500 thousand (2013: nil).

19. BASIC AND DILUTED EARNINGS PER SHARE

The basic and diluted earnings per share are the same as there are no dilutive effects on earnings.

	2014	2013
	QR ('000)	QR ('000)
Profit for the year (QR '000)	**57,978**	1,966
Weighted average number of ordinary shares ('000)	**68,731**	50,928
Basic and diluted earnings per share (QR)	**0.84**	0.04

20. RELATED PARTIES

a) Transaction with related parties

These represent transaction with related parties. Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions and directors of the Company and companies of which they are key management personnel. Pricing policies and terms of these transactions are approved by the Company's management and are negotiated under normal commercial terms.

Significant transactions were:

	2014	2013
	QR('000)	QR('000)
Reinsurance premium to QIC	**1,217,579**	676,743
Claims	**259,819**	228,817
Commission from QIC	**376,487**	153,110

b) Compensation of key management personnel

	2014	2013
	QR('000)	QR('000)
Salaries and other short term benefits	**7,138**	2,104
Employees' end of service benefits	**160**	157
Total	**7,298**	2,261

Outstanding related party balances at reporting date are unsecured and interest free. Also, the Board of Directors' remuneration proposed for the year ended December 31, 2014 is detailed in note 18.

21 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Company in the normal course of its business derives its revenue mainly from assuming and managing insurance and investments risks for profit. Through a robust governance structure, risk and return are evaluated to produce sustainable revenues to reduce earnings volatility and increase shareholders' return. The Company's lines of business are mainly exposed to the following risks;

- Insurance risk,
- Credit risk,
- Liquidity risk,
- Market risk and
- Operational risk

21 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

a) Governance framework

The primary objective of the Company's risk and financial management framework is to protect the Company's shareholders from events that hinder the sustainable achievement of the set financial performance objectives. Key management recognizes the critical importance of having efficient and effective risk management systems in place.

The Company has established a risk management function with clear terms of reference from the board of directors, its committees and the associated executive management committees. This is supplemented with a clear organizational structure with documented delegated authorities and responsibilities from the board of directors to executive management committees and senior managers. A Company risk management policy framework which sets out the risk profiles for the Company, risk management, control and business conduct standards for the Company's operations has been put in place.

(b) Capital management framework

The Company has an internal risk management framework for identifying risks to which each of its business units and the Company as a whole is exposed, quantifying their impact on economic capital. The internal framework estimates indicate how much capital is needed to mitigate the risk of insolvency to a selected remote level of risk applied to a number of tests (both financial and non-financial) on the capital position of the business.

(c) Regulatory framework

Regulators are primarily interested in protecting the rights of the policyholders and monitor them closely to ensure that the Company is satisfactorily managing affairs for their benefit. At the same time, the regulators are also interested in ensuring that the Company maintains an appropriate solvency position to meet unforeseen liabilities arising from economic shocks or natural disasters.

The operations of the Company are also subject to regulatory requirements within the jurisdictions where it operates. Such regulations not only prescribe approval and monitoring of activities, but also impose certain restrictive provisions (e.g. capital adequacy) to minimize the risk of default and insolvency on the part of the insurance companies to meet unforeseen liabilities as these arise.

(d) Asset liability management (ALM) framework

Financial risks arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements. The main risk that the Company faces due to the nature of its investments and liabilities is interest rate risk. The Company manages these positions within an ALM framework that has been developed to achieve long-term investment returns in excess of its obligations under insurance and investment contracts.

The Company's ALM is also integrated with the management of the financial risks associated with the Company's other financial assets and liabilities not directly associated with insurance and investment liabilities.

The Company's ALM also forms an integral part of the insurance risk management policy, to ensure in each period sufficient cash flow is available to meet liabilities arising from insurance and investment contracts.

21. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

(e) Insurance risk

The principal risk the Company faces under insurance contracts is that the actual claims and benefits payments or the timing thereof, differ from expectations. This is influenced by the frequency of claims, severity of claims, actual benefits paid and subsequent development of long-term claims. Therefore the objective of the Company is to ensure that sufficient reserves are available to cover these liabilities.

The Company manages the insurance risk through the careful selection and implementation of its underwriting strategy guidelines together with the adequate reinsurance arrangements and proactive claims handling.

The Company principally issues general insurance contracts which constitute mainly marine and aviation and fire, engineering, agriculture and general. The concentration of insurance risk exposure is mitigated by diversifying the risk underwritten and ensuring that such risks are across a large portfolio in terms of type, level of insured benefits, amount of risk and industry. Underwriting limits are in place to enforce risk selection criteria.

The Company, in the normal course of business, in order to minimize financial exposure arising from large claims, enters into contracts with other parties for reinsurance purposes. Such reinsurance arrangements provide for greater diversification of business, allow management to control exposure to potential losses arising from large risks, and provide additional capacity for growth. A significant portion of the reinsurance is affected under treaty, facultative and excess-of-loss reinsurance contracts. Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision and are in accordance with the reinsurance contracts.

Although the Company has reinsurance arrangements, it is not relieved of its direct obligations to its Policyholders and thus a credit exposure exists with respect to ceded insurance, to the extent that any reinsurer is unable to meet its obligations assumed under such reinsurance agreements. The Company's placement of reinsurance is diversified such that it is neither dependent on a single reinsurer nor are the operations of the Company substantially dependent upon any single reinsurance contract.

The Company has in place strict claim review to assess all new and ongoing claims, regular detailed review of claims handling procedures and frequent investigation of possible fraudulent claims to reduce the risk exposure of the Company. The Company further enforces a policy of actively managing and prompt pursuing of claims, in order to reduce its exposure to unpredictable future developments that can negatively impact the Company.

Key assumptions

The principal assumption underlying the liability estimates is that the Company's future claims development will follow a similar pattern to past claims development experience. This includes assumptions in respect of average claim costs, claim handling costs, claim inflation factors and claim numbers for each accident year. Additional qualitative judgments are used to assess the extent to which past trends may not apply in the future, for example one-off occurrence changes in market factors such as public attitude to claiming, economic conditions, as well as internal factors such as portfolio mix, policy conditions and claims handling procedures. Judgment is further used to assess the extent to which external factors such as judicial decisions and government legislation affect the estimated. Other key circumstances affecting the reliability of assumptions include variation in interest rates, delays in settlement and changes in foreign currency rates.

21. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

Insurance risk (continued)

Sensitivities

The general insurance claims provisions are sensitive to the key assumptions shown below. It has not been possible to quantify the sensitivity of certain assumptions such as legislative changes or uncertainty in the estimation process.

The analysis below is performed for possible movements in key assumptions with all other assumptions held constant, showing the impact on gross and net liabilities, net profit and equity.

	Change in assumptions	Impact on liabilities	Impact on net profit	Impact on equity
		QR('000)	QR('000)	QR('000)
December 31, 2014				
Incurred claim cost	**10%**	**41,443**	**(41,443)**	--
Incurred claim cost	**-10%**	**(41,443)**	**41,443**	--
December 31, 2013				
Incurred claim cost	10%	30,640	(30,640)	--
Incurred claim cost	-10%	(30,640)	30,640	--

Claims development

The Company maintains strong reserves in respect of its insurance business in order to protect against adverse future claims experience and developments. The uncertainties about the amount and timing of claim payments are generally resolved within one year.

(f) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss to the other party by failing to discharge an obligation. The following policies and procedures are in place to mitigate the Company's exposure to credit risk:

A credit risk policy setting out the assessment and determination of what constitutes credit risk for the Company has been established and policies and procedures are in place to mitigate the Company's exposure to credit risk:

Compliance with the policy is monitored and exposures and breaches are regularly reviewed for pertinence and for changes in the risk environment.

21. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

For all classes of financial assets held by the Company, other than those relating to reinsurance contracts, the maximum credit risk exposure to the Company is the carrying value as disclosed in the financial statements at the reporting date.

Reinsurance is placed with reinsures approved by the management, which are generally international securities that are rated by international rating agencies or other GCC rating agencies.

To minimize its exposure to significant losses from reinsurer insolvencies, the Company evaluates the financial condition of its reinsures and monitors concentrations of credit risk arising from similar geographic regions, activities or economic characteristics of the reinsures.

At each reporting date, management performs an assessment of creditworthiness of reinsurers and updates the reinsurance purchase strategy, ascertaining suitable allowance for impairment.

Age analysis of financial assets as at the yearend is as follows:

December 31, 2014

	< 30 days	**31 to 60 days**	**61 to 90 days**	**91 to 120 days**	**Above 120 days**	**Total**
	QR('000)	**QR('000)**	**QR('000)**	**QR('000)**	**QR('000)**	**QR('000)**
Cash and cash equivalents	**75,683**	**232,283**	**158,568**	**--**	**--**	**466,534**
Insurance and other receivables	**721,949**	**16,428**	**18,326**	**17,324**	**40,994**	**815,021**
	797,632	**248,711**	**176,894**	**17,324**	**40,994**	**1,281,555**

December 31, 2013

	< 30 days	31 to 60 days	61 to 90 days	91 to 120 days	Above 120 days	Total
	QR('000)	QR('000)	QR('000)	QR('000)	QR('000)	QR('000)
Cash and cash equivalents	316,601	--	425,388	--	--	741,989
Insurance and other receivables	346,562	16,633	11,544	14,624	31,836	421,199
	663,163	16,633	436,932	14,624	31,836	1,163,188

21. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

Impaired financial assets

At December 31, 2014 there are impaired insurance and other receivables of QR 1,291 thousand (2013: QR 1,291 thousand). For assets to be classified as "past–due and impaired" contractual payments must be in arrears for more than 90 days. No collateral is held as security for any past due or impaired assets.

The Company records all impairment allowances for loans and receivables in a separate impairment allowance account. A reconciliation of the allowance for impairment losses for loans and receivables is as follows:

	2014	2013
	QR('000)	QR('000)
At January 1,	**1,291**	1,291
Charged during the year	**--**	--
At December 31,	**1,291**	1,291

(f) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in raising funds to meet commitments associated with financial liabilities.

Liquidity requirements are monitored on a daily/weekly/monthly basis and management ensures that sufficient funds are available to meet any commitments as they arise.

Maturity profiles
The table below summarizes the maturity profile of the financial assets and financial liabilities of the Company based on remaining undiscounted contractual obligations, including interest payable and receivable. For insurance contracts liabilities and reinsurance contract assets, maturity profiles are determined.

21. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

Liquidity risk (continued)

Maturity profiles (continued)

Based on estimated timing of net cash outflows from the recognized insurance liabilities. Unearned premiums and the reinsurer's share of unearned premiums have been excluded from the analysis as they are not contractual obligations.

	Up to a year	1 to 5 years	Over 5 years	Total
	QR('000)	QR('000)	QR('000)	QR('000)
December 31, 2014				
Financial assets : Non derivatives				
Available-for-sale investments - Debt securities	51,882	401,515	280,029	733,426
Held for trading investments – Managed Funds	6,192	--	--	6,192
Qatari Public shareholding companies	223,064	--	--	223,064
Quoted shares	79,911	--	--	79,911
Insurance and other receivables	800,242	14,779	--	815,021
Reinsurance contract assets	528,979	--	--	528,979
Cash and cash equivalents	466,534	--	--	466,534
	2,156,804	416,294	280,029	2,853,127

	Up to a year	1 to 5 years	Over 5 years	Total
	QR('000)	QR('000)	QR('000)	QR('000)
December 31, 2014				
Financial liabilities : Non derivatives				
Provision, reinsurance and other payables	65,409	--	--	65,409
Due to related parties	807,365	--	--	807,365
Insurance contract liabilities	896,669	--	--	896,669
	1,769,443	--		1,769,443

21. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

Liquidity risk (continued)

Maturity profiles (continued)

	Up to a year QR('000)	1 to 5 years QR('000)	Over 5 years QR('000)	Total QR('000)
December 31, 2013				
Financial assets : Non derivatives				
Available-for-sale investments - Debt securities	--	379,487	129,402	508,889
Held for trading investments – Managed Funds	5,809	--	--	5,809
Qatari Public shareholding companies	96,079	--	--	96,079
Quoted shares	47,586	--	--	47,586
Insurance and other receivables	421,199	--	--	421,199
Reinsurance contract assets	340,442	--	--	340,442
Cash and cash equivalents	741,989	--	--	741,989
	1,653,104	379,487	129,402	2,161,993

	Up to a year QR('000)	1 to 5 years QR('000)	Over 5 years QR('000)	Total QR('000)
December 31, 2013				
Financial liabilities : Non derivatives				
Provision, reinsurance and other payables	44,652	--	1,590	46,242
Due to related parties	427,984	--	--	427,984
Insurance contract liabilities	887,503	--	--	887,503
	1,360,139	--	1,590	1,361,729

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual security, or its issuer, or factors affecting all securities traded in the market. The Company limits market risk by maintaining a diversified portfolio and by continuous monitoring of developments in international and local equity and bond markets. In addition, The Company actively monitors the key factors that affect stock and bond market movements, including analysis of the operational and financial performance of investees.

Currency risk

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Company, with the support of the treasury function of its ultimate parent company, uses certain off balance sheet financial instruments to manage certain foreign currency investment exposures.

The table below summarizes the Company's exposure to foreign currency exchange rate risk at reporting date by categorizing assets and liabilities by major currencies.

21. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

Currency risk (continued)

December 31, 2014

	USD QR('000)	EURO QR('000)	GBP QR('000)	Others* QR('000)	Total QR('000)
Cash and cash equivalents	11,633	10,095	8,083	436,723	466,534
Insurance and other receivables	109,202	5,913	50,834	649,072	815,021
Reinsurance contract assets	--	--	--	528,979	528,979
Investments	356,555	--	1,625	684,413	1,042,593
TOTAL ASSETS	477,390	16,008	60,542	2,299,187	2,853,127
Insurance contract liabilities	--	--	--	896,669	896,669
Provisions, reinsurance and other payables	237,393	1,965	4,116	47,480	290,954
TOTAL LIABILITIES	237,393	1,965	4,116	944,149	1,187,623

December 31, 2013

	USD QR('000)	EURO QR('000)	GBP QR('000)	Others* QR('000)	Total QR('000)
Cash and cash equivalents	21,882	11,293	21,645	687,169	741,989
Insurance and other receivables	94,521	13,989	49,366	263,323	421,199
Reinsurance contract assets	--	--	--	340,442	340,442
Investments	508,889	--	1,092	148,382	658,363
TOTAL ASSETS	625,292	25,282	72,103	1,439,316	2,161,993
Insurance contract liabilities	--	--	--	887,503	887,503
Provisions, reinsurance and other payables	8,905	3,196	3,432	30,709	46,242
TOTAL LIABILITIES	8,905	3,196	3,432	918,212	933,745

*Others mainly represents exposure in functional and reporting currency Qatari Riyal.

The Company has no significant concentration of currency risk.

21. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

Currency risk (continued)

The analysis that follows is performed for reasonably possible movements in key variables with all other variables held constant, showing the impact on profit before tax and equity due to changes in the fair value of currency sensitive monetary assets and liabilities including insurance contract claim liabilities. The correlation of variables will have a significant effect in determining the ultimate impact on market risk, but to demonstrate the impact due to changes in variables, variables had to be changed on an individual basis.

		Impact on profit or loss	
	Changes in variables	**December 31, 2014**	December 31, 2013
Currency		**QR ('000')**	**QR('000')**
Euro	+10%	**1,404**	2,209
GBP	+10%	**5,480**	6,867
		6,884	9,076
Euro	-10%	**(1,404)**	(2,209)
GBP	-10%	**(5,480)**	(6,867)
		(6,884)	(9,076)

The method used for deriving sensitivity information and significant variables did not change from the previous period.

i. Interest rate risk

The Company is not exposed to interest rate risk as the Company does not have any interest sensitive financial instruments.

ii. Price risk

Price risk is the risk that the fair value or income from a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk).

iii. Operational risk

Operational risk is the risk of loss arising from system failure, human error, fraud or external events. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications or can lead to financial loss. The Company cannot expect to eliminate all operational risks, but by initiating a rigorous control framework and by monitoring and responding to potential risks, the Company is able to manage the risks.

21. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

iii. Operational risk (continued)

The Company has detailed systems and procedures manuals with effective segregation of duties, access controls, authorisation and reconciliation procedures, staff training and assessment processes etc. with a compliance and internal audit framework. Business risks such as changes in environment, technology and the industry are monitored through the Company's strategic planning and budgeting process.

iv. Capital management

The Company fully complied with the externally imposed capital requirements during the reported financial period.

Classifications and fair values

The following table compares the fair values of the financial instruments to their carrying values:

	December 31, 2014		December 31, 2013	
	Carrying amount	**Fair value**	Carrying amount	Fair value
	QR('000')	**QR('000')**	QR('000')	QR('000')
Financial assets				
Cash and cash equivalents	**466,534**	**466,534**	741,989	741,989
Loans and receivables:				
Insurance and other receivables	**815,021**	**815,021**	421,199	421,199
Reinsurance contract assets	**528,979**	**528,979**	340,442	340,442
Held for trading	**6,192**	**6,192**	5,809	5,809
Available for sale investments	**1,036,401**	**1,036,401**	652,554	652,554
	2,853,127	**2,853,127**	2,161,993	2,161,993
Financial Liabilities				
Provisions, reinsurance and other payables	**65,409**	**65,409**	46,242	46,242
Due to related parties	**807,365**	**807,365**	427,984	427,984
Insurance contract liabilities	**896,669**	**896,669**	887,503	887,503
	1,769,443	**1,769,443**	1,361,729	1,361,729

v. Price risk

Price risk is the risk that the fair value of or income from a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

21. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

v. Price risk (continued)

The Company's equity price risk exposure relates to financial assets and financial liabilities whose values will fluctuate as a result of changes in market prices, principally investment securities not held for the account of unit-linked business. The Company's price risk policy requires it to manage such risks by setting and monitoring objectives and constraints on investments, diversification plans, limits on investments in each country, sector and market and careful and planned use of derivative financial instruments. The Company has no significant concentration of price risk.

The analysis below is performed for reasonably possible movements in key variables with all other variables held constant, showing the impact on profit or loss and equity.

		December 31, 2014		December 31, 2013	
	Changes in variables	**Impact on profit or loss (QR '000)**	**Impact on equity (QR '000)**	Impact on profit or loss (QR '000)	Impact on equity (QR '000)
Qatar Market	+10%	**--**	**22,306**	--	9,608
International Markets	+10%	**619**	**7,991**	581	4,759
Qatar Market	-10%	**--**	**(22,306)**	--	(9,608)
International Markets	-10%	**(619)**	**(7,991)**	(581)	(4,759)

The method used for deriving sensitivity information and significant variables did not change from the previous period.

22. DETERMINATION OF FAIR VALUE AND FAIR VALUES HIERARCHY

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities
- Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly
- Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy:

	Level 1 QR ('000)	Level 2 QR ('000)	Level 3 QR ('000)	Total fair value QR ('000)
December 31, 2014				
Held for trading	--	**6,192**	--	**6,192**
Available for sale	**1,036,401**	--	--	**1,036,401**
	1,036,401	**6,192**	--	**1,042,593**
December 31, 2013				
Held for trading	--	5,809	--	5,809
Available for sale	652,554	--	--	652,554
	652,554	5,809	--	658,363

23. COMMITMENTS AND CONTINGENT LIABILITIES

	2014 (QR '000)	2013 (QR '000)
Bank guarantees	**265,139**	2,857
	265,139	2,857

Operating leases

Future minimum lease rentals payables under non-cancellable operating leases as at the year-end are as follows:

	2014 (QR '000)	2013 (QR '000)
Within one year	**6,619**	7,173
After one year but not more than five years	**26,477**	21,520
More than 5 years	**6,067**	20,922
	39,163	49,615

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